Austria	Sch. 18	Indonesia	Rp 2500	Portugal	Esc 80
Bahrain	Din.0.650	Italy	L 1300	S. Arabia	Rls 6.00
Belgium	BFr 38	Japan	Y550	Singapore	S$ 4.10
Canada	C$2.00	Jordan	Fils.500	Spain	Pta 110
Cyprus	C£0 60	Kuwait	Fils.600	Sri Lanka	Rup 30
Denmark	Dkr.7.25	Lebanon	£L 8.00	Sweden	Skr 6 50
Egypt	E£1.00	Luxembourg	LFr 38	Switzerland	SFr 2.20
Finland	Fmk 6.00	Malaysia	Rm 4.25	Taiwan	NT $85
France	FFr 6.00	Mexico	Pes. 300	Tunisia	Din 0.600
Germany	DM 2.20	Morocco	Dh 6.00	Turkey	L 210
Greece	Dr 70	Netherlands	Fl 2.50	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	Nkr. 6.00	U.S.A.	$1.50
India	Rup. 15	Philippines	Pes. 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Monday July 1 1985

D 8523 B

What went wrong at the Milan summit, Page 15

World news

UK armed alert after bomb charges

Tight security precautions will be taken in London today when seven people appear on terrorist charges. One of the alleged terrorists is accused of bombing the Grand Hotel in Brighton last year during the Tory Party conference.

SAS soldiers and police from Scotland Yard's "Blue Beret" firearms squad will man rooftops and windows and surround the court while a helicopter will keep watch as the defendants are taken to court in an armoured car with a large escort.

Meanwhile police at 12 British coastal towns on an IRA bombing "hit list" have started visiting thousands of hotels in a security campaign.

Diplomatic cuts

U.S. President Ronald Reagan is seeking a sizeable reduction in numbers of Soviet diplomats in the U.S. to "reduce the hostile intelligence threat."

President shot

Government officials are baffled by the assassination of President Haruo Remeliik of the western Pacific republic of Palau. An official would not comment on a motive for the shooting.

Solidarity threat

The Polish Government, ignoring a threat of protest strikes by the banned Solidarity trade union, plans to go ahead with an increase in meat prices today, completing a series of food price rises.

Soviet test blast

The Swiss Seismological Institute recorded an underground nuclear explosion "of extraordinary magnitude" in the Soviet Union. It said the explosion at Semipalatinsk in Kazakhstan, near the Chinese and Mongolian borders, reached 6.3 on the Richter scale.

'Spies' to be charged

The KGB security police will charge two members of the unofficial Georgian musical group Phantom with spying for the U.S., another musician said in Moscow yesterday. The offence carries the death penalty.

Peace bid rejected

*Libya says that Iran refused to con*sider its proposals to end the Gulf war with Iraq.

Biko hearing opens

A new inquiry into the death in detention of South African black leader Steve Biko eight years ago opened in Pretoria. The hearing will decide whether two doctors acted improperly in their treatment of Biko.

Anniversary show

Zaire paraded its military strength at celebrations marking the 25th anniversary of independence from Belgium.

Hijack jokers warned

Police have warned passengers at London's Heathrow airport that jokes about possessing weapons or planning hijacks could land the offenders in court.

Angola attack

A South African raid into Angola killed 61 Swapo guerrillas. A black member of the security forces was also killed.

Apartheid poll

Most South African *whites* expect the country to be racially integrated in 20 years according to a government-sponsored Human Sciences Research Council opinion poll.

Award for FT editor

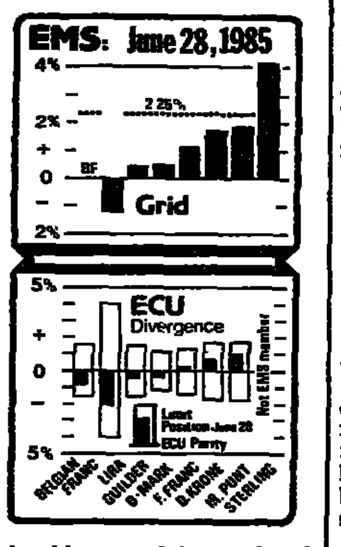
Geoffrey Owen, Financial Times editor, has been named International Editor of the Year by U.S. media magazine World Press Review. Page 7.

Business summary

Italian group plans issue

SIP, Italian state-owned telephone company, is to seek government approval to offer 49 per cent of its shares to Italian and foreign investors. The company is quoted on the Milan bourse and 13.89 per cent of its shares are in private hands. Page 17

EUROPEAN Monetary System: There was very little activity in the EMS last week with trading volume



reduced because of the month and half-year end. The dollar provided little incentive, showing only *narrow changes from a week before.* The Belgian franc remained the weakest currency bound by an allowable movement of 2¼ per cent either side of central rates, although it was *still* comfortably within its divergence limit. It also showed a small rise against the D-Mark, probably helped by a small increase in Belgian domestic interest rates.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

TOKYO share market reached a new peak during trading on Saturday. The Nikkei-Dow market average added 40.96 to 12,923.05 amid selective buying of property, nonferrous metal and securities houses shares. A total of 200m shares changed hands, compared with 360m on Friday.

FT ORDINARY Share Index is 50 years old today. To mark the anniversary, this issue contains a six-page survey describing the origins of the index, its method of construction and its continuing role in the marketplace. Section III

CHILE announced a 7.8 per cent devaluation of the peso and large tariff cuts after an agreement in principle with major foreign creditors. Page 16

LLOYD'S underwriting members facing heavy financial losses are planning an extensive legal campaign against the corporation of Lloyd's and other parties. Page 16

CBS, U.S. broadcasting company, launched a new attack on the takeover bid it is facing from Mr Ted Turner, alleging that Mr Turner would cripple the company by *running up consistent losses if the offer* was successful. Page 1

TIMES MIRROR, Los Angeles-based newspaper publishing group, is to spend up to $450m to acquire up to 7.5m of its own shares, representing 10.4 per cent of the group's *outstanding* equity at a price of $60 a share. Page 20

SOCIÉTÉ GÉNÉRALE, French state-owned banking group, plans to lift its stake in Société Générale Alsacienne de Banque (Sogenal) to 52.88 per cent by purchasing FFr 175m ($18.6m) worth of new shares. Page 17

The Financial Times apologises to readers outside the UK who did not receive copies of the Saturday edition because of production difficulties in London.

EEC in disarray after split over treaty conference

BY QUENTIN PEEL

THE EUROPEAN Community was yesterday left in public disarray by the split among the heads of government at their summit in Milan over whether to hold a conference to amend the founding Treaty of Rome.

*Plans for the conference re*mained in doubt yesterday after a stormy meeting which left Britain in a minority of three with Denmark and Greece. Despite the majority decision to proceed with a full conference, neither the mandate to hold one nor the attendance of member-states was agreed.

Denmark, in particular, was threatening to stay away. Mr Poul Schluter, the Danish Prime Minister, *made clear after the meeting* that he would not agree to any formal amendment of the Treaty of Rome, which would have to be unanimously approved by all 10 member states.

He said his Government would *decide whether to attend the con*ference, planned to be convened before the end of October, only when he saw what arrangements would be proposed by the EEC foreign ministers.

Moreover, Luxembourg, which to*day takes over the presidency of* the Council of Ministers, will have to launch attempts to patch up the differences between the member states ahead of the foreign ministers' meeting later this month.

The foreign ministers will also have to take the formal decision to proceed with any conference only after the European Parliament has been consulted at its July session.

*In London, Mrs Margaret Thatch*er, the British Prime Minister, will make a full statement to the House of Commons tomorrow. The opposition parties will seek to criticise her and the Foreign Office about what they see as the embarrassing mishandling of the talks. Most Conservative MPs, however, are likely to express strong support for the stand she took over treaty amendments.

Dr David Owen, the SDP leader, last night accussed Mrs Thatcher of wielding a blunderbuss in her dealings with her European partners when what Britain and Europe needed was a *rapier. She had,* he said, demonstrated a lack of political finesse.

The confrontation, precipitated by Sig Bettino Craxi, the Italian *Prime Minister, when he called for* an unprecedented informal vote on the question, effectively prevented any further immediate action being taken to speed up the decision-making process of the Community.

The member-states also put off any decision on extending their foreign policy co-operation, including aspects of security, as proposed by Britain, France and West Germany.

The Milan *summit, intended to* provide a wide-ranging debate and decisions on galvanising the Community and extending its field of action, ended in outright confrontation *between the majority seeking* full legal reforms, and the minority urging pragmatic steps to streamline its development.

Any attempt to get further sub*stantive decisions out of the Milan* meeting was blocked by Mr Andreas Papandreou, the Greek Prime Minister, when he demanded unanimous agreement on any changes in voting procedures in protest at the conference decision.

The outcome was a clear setback for Mrs Thatcher, who had set out with the aim of getting immediate agreement in principle on a package of measures which would not require treaty *amendment*, both *to* increase majority voting and restrict use of national vetoes and to formalise foreign police co-operation.

The dispute over the institutional questions overshadowed agreement by the heads of government on a set

Continued on Page 16

***Summit review, Page 3;* Sugar crisis warning, Page 3; Editorial comment, Page 14; Why it all went wrong, Page 15**

Israelis consider devaluation and pay freeze

By David Lennon in Tel Aviv

THE ISRAELI Cabinet yesterday was presented with a Treasury-sponsored programme to stabilise the country's economy through a compulsory wage and price freeze, *a 20 per cent devaluation of the she*kel and a further U.S.$500m budget cut.

At a meeting that ran well into the night, the ministers were told by Prime Minister Shimon Peres that failure to accept the programme would lead to the break-up of the nine-month-old government of national unity.

The programme *contains con*troversial elements including emergency regulations to cut some wages and to impose an administrative wage and price freeze to re*place the voluntary agreement* which ends this week.

As the Cabinet was meeting, however, the Histadrut trades union federation was in emergency ses*sion to plan strike action if it* emerged that wage-earners would have to bear the brunt of any new measures.

Mr Israel Kessar, the Histadrut secretary general, denounced the idea of using emergency regulations to break the current labour agreement as being undemocratic and unprecedented in Israel.

He was particularly angry over what he described as the planned *30 per cent erosion in the real value* of wages. The Treasury wants to achieve this by halving the automatic compensation for inflation paid to workers and a 3 per cent cut in public sector wages.

The Treasury proposed a 20 per cent devaluation of the Shekel and a major cut in export subsidies and import levies, thus unifying the export and import exchange rates.

The price of basic commodities *and services would be expected to* rise by between 20 to 30 percent as a result of cutting government subsidies. The price of other goods should rise by about 20 per cent. *This might be followed by a compul*sory three-month price and wage freeze.

The Treasury estimates that, after a couple of months of very high inflation, the monthly rate of price increases would drop to single figures. Inflation in June is estimated to have reached about 20 per cent.

The plan calls for the emergency regulations to be in force for three months.

● Trading on the *Tel Aviv* Stock Exchange was suspended yesterday and all buy and sell orders were cancelled. The exchange directorate said resumption of trading will de*pend on the Government's decision* on the economy.

U.S. hostages arrive in Damascus

BY TONY WALKER AND NORA BOUSTANY IN BEIRUT, DAVID LENNON IN TEL AVIV AND REGINALD DALE IN WASHINGTON

ALL the *39 American hostages* seized on a Trans World Airlines flight from Athens on June 14 last night travelled in a heavily armed convoy from Beirut to Damascus, the *Syrian capital.*

Ten Red Cross cars escorted by Syrian military police and preceded *by motorcades blowing sirens to* clear the road crossed Damascus streets to the Sheraton hotel.

Earlier, at the last Lebanese town of Ohtaura, 10 miles west of the Jdeideh Yabous border post, the hostages were greeted by U.S. Ambassador to Syria, Mr *William Ea*gelton, and Major General Said Bairakdar, commander in chief of Syrian troops in Lebanon.

A U.S. Air Force aircraft is at *Damascus airport waiting to fly the* hostages out of the Middle East.

Mr Nabih Berri, leader of the Shia Amal militia, which had taken responsibility for the hostages *while* they were in Beirut, announced that the Americans had been freed following the receipt of unspecified guarantees from Syria, the U.S. and local, regional and international powers.

Amal and the original hijackers of the TWA jet have been *demand*ing the release of 735 mainly Shia prisoners held in Israel. After a Cabinet meeting in Jerusalem yesterday it was stated that no deci*sion had been taken on freeing the* Lebanese prisoners.

Mr Yossi Beilin, the Cabinet Secretary, denied that Israel was party to any deal, or that there had been contact with Washington about such arrangements.

Mr Yitzak Rabin, the Defence Minister, said on American television, however, that Israel had intended in the past, and intended now to free its Lebanese detainees in accordance with *the security sit*uation in southern Lebanon and possibly other considerations. There was no link with the release of the American hostages, he insisted.

Israel had borne U.S. interests in mind, but it was also in the U.S. interest that Israel should make no linkage with the American hostages in deciding when, and how many detainees should be released, said Mr Rabin.

Another Israeli official, however, said that while there was no agreement, there was definitely an understanding and "clear co-ordination" with the U.S. He *did not* rule out the release of some of the prisoners this week, but added that there would have to be a time lapse between the end of the hijack crisis and the *freeing* of the Lebanese.

The way had been cleared for the *departure of the American hostages* from Beirut when the militant Hezbollah Shia faction handed over the four men it was holding to the custody of Mr Berri. The four were *those earlier considered to have* "Jewish-sounding names" and to have among them U.S. military personnel.

Pressure from Syria, which has *played a crucial role in resolving* the crisis, apparently persuaded Hezbollah, which is accused of having organised the original hijack.

Mr Berri said yesterday that the delay in the hostages' release, planned initially for Saturday, had been delayed until reassurances had been received from Washington that no reprisals would be taken against Lebanon.

The Shia leader had been particularly angered by President Reagan's remarks on Friday describing the hijackers as "thugs, murderers and barbarians" and pledging that "terrorists" would be held to account.

Following Mr Berri's objections, the U.S. State Department put out a statement late on Saturday reaffirming its support for the preserva*tion, stability and security of Leba*non. U.S. officials stressed that there was nothing new in the statement, but there was speculation that it could have assisted Mr Berri *in his negotiations with the Hezbol*lah for the release of the four Americans it was holding.

During a press conference yesterday at Beirut airport, where the TWA jet is still on the runway, hooded gunmen warned President Reagan against playing with fire. They said they had handed over the hostages "out of concern for the credibility of Syria and the word of its President."

Mr George Bush, the U.S. Vice-President, said in Paris that Syria "had been helpful" in winning the hostages' release. He thought that once the hostages were finally free "they (the Syrians) *will* get a certain credit for having played a useful role."

Mr Berri also announced yesterday that two French citizens kidnapped on May 22 would be released shortly, but there was no word of 10 other Westerners *still* held in Lebanon. These include seven Americans, two Frenchmen and a Briton. The U.S. had earlier been seeking to tie in their release with that of the TWA passengers.

As the convoy of vehicles moved out of Beirut yesterday afternoon, the hostages shouted through the windows "it's great, it's great."

Shadowy dealers in terror, Page 2

American Motors wins wage-cut agreement

BY TERRY DODSWORTH IN NEW YORK

AMERICAN MOTORS (AMC), U.S. affiliate of Renault, the nationalised French car group, has won a virtually complete victory in its wage-cutting confrontation with *6,000* workers at its two *small* car producing plants in Wisconsin.

After a month of bitter negotiations, the United Auto Workers (UAW) has agreed to a broad package of cost and wage reductions which the company has demanded as a condition for keeping the Kenosha and Milwaukee plants open.

Both sides refused to give precise details of the agreement yesterday, but American Motors said that it *was basically in line with the pace*-setting deal concluded at General Motors (GM) last year. This implies substantial pay reductions, increased working flexibility and a significant *cut in the number of* shop stewards in the plants – one of AMC's most emphatic demands.

Mr Ralph Koenig, director of the UAW's local organisation, said that many *elements of the proposals* were "abhorrent" but that he did not propose to urge rejection by the union membership.

Among the concessions listed by the UAW were losses in seniority, overtime and relief time, including *a pay reduction of about 60 cents an* hour from $13.56 an hour. The total programme is expected to bring the company's hourly labour cost, including cash wages and fringe benefits, down from about $27.27 to $23.60 an hour. No information on retaining allowances, which were also part of the GM deal, have been given.

The deal appears to end the threat of closure at the Wisconsin *plants, although AMC will not* withdraw its formal shutdown request, filed with the state authorities in an attempt to force the unions to the bargaining table until the new contract is ratified by the *local* union membership.

*For the time being at least, ratifi*cation will also end speculation that the embattled Renault group, whose losses are leading to heavy redundancies in France, might use *the obduracy of the U.S. union as a* pretext for closing the plants.

There were reports at the weekend that Renault unions in France were objecting against the continued support for AMC, said to involve the possibility of a new loan of $175m. The French unions have argued that it would make sense to *close the outdated plants in Wiscon*sin and export small cars directly from France, an approach which some U.S. analysts have also advocated because of the strong dollar.

The smallest of the indigenous U.S. vehicle manufacturing groups, *AMC is owned 46 per cent* by Renault, which is using the company as its springboard for large-scale entry into the U.S. market.

Since Renault took its initial *stake in 1979, AMC has* developed a highly successful range of Jeeps, but has failed to make a significant impact with the Alliance – the U.S. version of the Renault 9 – as the booming American car market has moved back towards roomier models. In 1984, the company made profits of $15.5m, its first since 1979, but it slipped badly in the first quarter of this year to run up losses of $29m.

AMC has since used these loss figures to argue for the need for cuts in the Wisconsin operations, which are claimed to be the most expensive to run in the whole of the U.S. motor industry.

West German output to rise, Page 3; Chrysler moves into financial services, Page 16

Mugabe attacks 'racist' whites

BY MICHAEL HOLMAN IN HARARE

MR ROBERT MUGABE, Prime Minister of Zimbabwe, yesterday launched a bitter attack on "racist" white Zimbabweans, warning that "very hard going" lay ahead for *them, and hinting that the 20 seats* reserved for whites in the 100 member parliament might soon be abolished.

In a speech seen as important for *race relations in Zimbabwe as was* his offer of "reconciliation" to opponents after his 1980 election victory, Mr Mugabe served notice that his Government's patience with the country's *still* deeply conservative white community had run out.

The Prime Minister, speaking to a 100,000 strong rally of his supporters on the eve of two days of polling for the 80 black seats, was responding to the major victory on Friday *of Mr Ian Smith's Conservative Alli*ance. The former Prime Minister's party won 15 of the 20 white seats. The victory will also allow the alliance to elect all 10 entrenched white seats in Zimbabwe's senate.

In a passionate speech punctuat*ed by cheers from his supporters,* Mr Mugabe recalled that in 1980 he had been "prepared to forgive those who sinned in a very big way against the people of Zimbabwe." *About 25,000 people* died, almost all of whom were black, in the seven-year guerrilla war for independence fought by Mr Mugabe's Zimbabwe African National Union and Mr Joshua Nkomo's Zimbabwe African People's Union.

"We were deceived into believing that those who had waged an unjust fight . . . had repented," Mr Mugabe told the rally. "But whites are still by and large the racists of the past. They *have* not changed *their* ways." Mr Mugabe, who switched from the Shona language to English in order to emphasise his message to the 90,000-strong white community, had earlier told the crowd in the vernacular: "A Boer is a Boer and will stay that way."

Both Mr Mugabe and Mr Nkomo *strongly opposed the provision of 20* entrenched white seats in the independence constitution drawn up under British chairmanship at the Lancaster House conference in *1979*. Mr Mugabe had hoped, however, that the policy of reconciliation and his appointments of three whites to government, would erode the support of an unrepentant Mr Smith.

Yesterday, the Prime Minister *gave his strongest hint that his gov*ernment was prepared to remove the white seats from parliament,

Continued on Page 16

CONTENTS

OVERSEAS NEWS

Bush gives warning on dangers of nuclear terrorism

BY SIMON HENDERSON IN GENEVA

U.S. VICE President George Bush warned at the weekend of the dangers of nuclear terrorism — the possibility that terrorists may steal nuclear materials or make small nuclear weapons.

Addressing a conference on nuclear proliferation in Geneva, he said that the ultimate act of terrorism was nuclear terrorism. "Preventing nuclear proliferation is one part of stopping this; stopping terrorism is the other," he said.

Mr Bush, who is heading the special task force set up by President Ronald Reagan to counter terrorist incidents, urged the world to cooperate more closely on fighting terrorism.

Without giving details, he said there had been talks between the U.S. and the Soviet Union on the "spectre of nuclear terrorism," and there had been recent headway.

The Vice-Presdient's comments were obviously aimed at the Middle East. They were made during the confusion on Saturday when it seemed that the TWA hostages in Beirut were on their way to freedom. In what in retrospect only illustrates the frustration of the U.S. predicament, Mr Bush told the conference with obivious relief that he was going on to West Germany to meet the hostages when they were due to arrive there late on Saturday night.

Mr Bush had been in Geneva as part of his European tour in order to meet the Soviet team which has been negotiating with the Americans on nuclear and space weapons.

He said he had reaffirmed to them President Reagan's commitment to arms control and he hoped the Soviet side would respond to the measures the U.S. had taken to cut the number of strategic weapons.

On the spread of the bomb to non-nuclear weapon states, Mr Bush said it was important to recognise the peaceful uses of the atom in farming, medicine and energy.

However, he said that there must be controls so that technology was not transferred to military uses. Urging co-operation, he said: "The U.S. cannot do this alone."

Shadowy dealers in uncompromising terror

Tony Walker and Nora Boustany report from Beirut on the organisation behind the hijacking

AT THE centre of Beirut's hijack drama is Hezbollah, a shadowy militant Shi'ite organisation, believed to have supplied the original two hijackers of the TWA airliner.

The hijacking has demonstrated Hezbollah's potent role in Lebanese affairs on the extremist fringes of Amal, the mainstream Shi'ite organisation.

Hezbollah (Party of God) effectively forced the leadership of the less extreme Amal to adopt the hijackers' cause and, by implication, to endorse those who commandeered the plane.

Like those of Iran's Revolutionary Guards, Hezbollah's views and methods are uncompromising. An essential difference between the radical movement and Amal is that no concession is made to the threat of Western disapproval or sanction.

This emerged clearly in a rare interview granted by Sheikh Ibrahim al Amin, described as the most important figure in Hezbollah next to Sheikh Mohammed Hussein Fadlallah, spiritual guide of Lebanon's militant Shi'ite.

"If terrorism is the war of the weak against the strong, then we are terrorists, and not at all ashamed of it," he said in his sparse Beirut office dominated by a portrait of Ayatollah Khomeini, Iran's religious leader.

Sheikh al Amin makes no secret of the depth of Hezbollah's relationship with Iran, which provides his organisation with material and spiritual assistance. He mentioned that he has met Iran's religious leader on a number of occasions. Hezbollah's aim in Lebanon, like that of the Iranian Revolution, is "victory for Islam in this era."

It is noteworthy that Sheikh al Amin was summoned to Damascus early last week for a meeting with Hashemi Rafsanjani, Iran's parliamentary speaker, as a prelude to final efforts to settle the hostage crisis.

"Iran supports us as well as all the downtrodden peeople in the world," he said. "This is something evident and not a secret."

Sheikh al Amin, who has a diffident manner, was vague about the details of this support, merely saying that the presence of Iranian Revolutionary Guards in Baalbeck, the Hezbollah stronghold, was inspirational.

The strength of the Iranian link is worrying for the more secular Amal. It finds itself under constant pressure from Hezbollah, which has attracted young followers away from the mainstream Shi'ite movement.

Relations between the two organisations are tense and their liaison during the hostage crisis cannot have been comfortable. Hezbollah is said to have been put out that Mr Nabih Berri, leader of theShia Amal militia in Lebanon, managed to gain "credit" inside and outside Lebanon from the affairs.

Asked how he regarded Mr Berri's mediation efforts on behalf of the hijackers, Sheikh al Amin said: "I don't want to say yes or no to individuals or mediators. What is important is that the demands are met.

He was also vague about the organisation's structure and the extent of its support, which is thought to have grown significantly in the past year.

"Hezbollah itself does not know how it's working," he observed. "But we do know how to fight our enemies."

Hezbollah, whose symbol is a fist holding a machine-gun, conducted a military parade early last month at which field artillery and truck-mounted rocket launchers were displayed. The parade tended to undermine Hezbollah claims that it s not an armed party.

Hezbollah, which draws its name from a verse in the Koran which says the Party of God shall triumph, is linked with Islamic Amal — a breakaway organisation from the mainstream Amal — whose stronghold is also in Baalbeck, crucible of Lebanon's extremist Shi'ite elements.

Sheikh al Amin described the two radical groups as an "indivisible part of one another."

He said he was unaware of Islamic Jihad (Holy War), which has claimed responsibility for specacular acts of terror such as the suicide bombing of the American marine base in Beirut in October, 1983, in Those responsible are suspected of having bases in the Bekaa, but little is known about Islamic Jihad, if it exists at all as an organisation. Sheikh al Amin merely said: "I don't know more about it than is written in the newspaper."

Aviation bodies move to tighten flight safety

By Bernard Simon in Toronto

TWO international aviation bodies are to examine ways of tightening security in airports and aircraft in the wake of the recent spate of hijackings and bomb explosions, and the destruction eight days ago of Air India flight 182.

Eighteen member airlines of the International Air Transport Association's security advisory committee agreed at a special meeting in Montreal to expand IATA's programme of airport inspections beyond the 40 airports scrutinised by airline security experts in the past seven years.

The governing council of the 152-member International Civil Aviation Organisation, an inter-government body also based in Montreal, has asked ICAO's secretary-general to prepare a "plan of action" based on 10 recommendations adopted at a special meeting on security arrangements.

Proposals include a review of ICAO's recommended security standards and expansion of technical assistance programmes.

Among the two groups' priorities are ways of reducing human error in airport security. An IATA official said over the weekend that "we feel available equipment is adequate. The most important thing is the people operating the equipment." The ICAO governing council proposed that the body's training courses in aviation security should be made more widely available.

Protests expected as Hawke Government stages 'tax summit'

BY MICHAEL THOMPSON-NOEL IN CANBERRA

MR BOB HAWKE's Australian Labor Government ventures into political no-man's land today by opening a week-long "tax summit" in Canberra at which Labor's plans for sweeping tax reform will be probed and prodded by some of its sharpest critics.

Up to 30,000 angry farmers, protesting at rising farm costs as well as Labor's plan to introduce a broad-based consumption tax (similar to VAT), will descend on Canberra today for what is expected to be one of the biggest mass demonstrations ever seen in the Australian capital.

The 12.5 per cent consumption tax is Labor's preferred method for financing big reductions in marginal rates of income tax. It insists that the needy will be more than compensated for higher living costs.

At the same time, Mr Paul Keating, the Australian Treasurer (Finance Minister), wants to tax fringe benefits; introduce a modest tax on real capital gains; and stifle tax evasion and avoidance.

Tax shelters such as gold mining, film making, and some property investment have been singled out for early attention. As a result, gold shares have lurched lower.

Reform of Australia's creaking tax system would complement Labor's best-known initiative to date – deregulation of finance and banking – but the political cost may be great.

Mr Keating is also confronting reactionary forces across the entire political spectrum.

As well as the farmers, opposition to Labor's tax plans will be voiced by key business critics, some unions and by social welfare grouns.

Mr Hugh Morgan, executive director of Western Mining, one of Australia's biggest mining houses, claimed the tax package would considerably increase business and industry costs.

Mexican banks enter free market exchanges

BY WILLIAM ORME IN MEXICO CITY

MEXICO'S COMMERCIAL banks will be permitted to make a free market in foreign exchange from today, for the first time since their 1982 nationalisation. This is seen as a large effective devaluation of the peso.

The government explains its move simply as a strategy to control peso speculation. Money traders in the United States at the weekend were charging up to 340 pesos for a dollar, a rate far below the government's official 245-to-one "free" peso exchange rate and its 227-to-one "controlled" rate.

Speculative pressure against the peso has been building dramatically in recent weeks, largely in response to falling oil prices. Since May, the spread between the official and offshore rate has widened from 20 to nearly 100 pesos.

Exacerbating this trend has been the government's refusal to accelerate its gradual daily devaluation before next Sunday's interim congressional elections.

The official free and controlled rate slides against the dollar by 21 centavos every day, but economists argued months ago that speculation would ease if this slippage were quickened to 30 centavos or more daily.

Under the new rules state-owned banks have been licensed to open 20 dollar trading houses. Some will operate independently depending along with 23 private exchange houses largely on a clientele of tourists and other individuals. Others aimed at corporate customers will be managed by account offices at the bank's own premises.

These bank exchange houses will trade dollars at the same fluctuating lower peso exchange rate used along the U.S. border and by private money traders within Mexico, a rate that until now was not recognised officially.

With state bank participation bringing a larger dollar influx into what had been an unregulated parallel market this lower exchange rate may actually rise marginally in coming weeks, some officials forecast.

In a sardonic acknowledgement of market realities, Mexican bankers have dubbed the new exchange rate "super-free," to distinguish it from the so-called "free" rate set by the central bank.

Swiss bankers' hopes rise

BY WILLIAM DULLFORCE IN GENEVA

SWISS BANKERS appear to have succeeded in their campaign to block in the Organisation for Economic Cooperation and Development (OECD) a recommendation that governments amend their bank secrecy regulations to allow information to be passed across frontiers to tax authorities.

The executive committee preparing for the meeting of the OECD council in Paris next Wednesday decided on Friday not to include the recommendation on the council's agenda, according to Swiss banking sources.

FINANCIAL TIMES

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U.S. seeks to limit Soviet diplomats

By Reginald Dale, U.S. Editor, in Washington

PRESIDENT Ronald Reagan has called for a sharp reduction in the number of Soviet diplomats and officials stationed in the U.S. "to reduce the size of the hostile intelligence threat we're up against in this country."

In his weekend radio address, Mr Reagan said that 30 to 40 per cent of the 2,500 Soviet officials in the U.S. were known or suspected intelligence agents "and all can be called upon by their KGB."

He called for improvements in U.S. counter-intelligence and better control over foreign agents working at the United Nations in New York "who have used that organisation as a spy nest."

Mr Reagan's statement came amid a continuing national outcry over security lapses, after the arrest of four members of the alleged Walker family spy ring on charges of selling U.S. navy secrets to the Soviet Union over the past 18 years.

Concern over the Walker case has led to calls in Congress for Soviet officials in the U.S. to be limited to the same, much lower numbers of Americans allowed in Moscow—a proposal Mr Reagan also appeared to support.

The ease with which Soviet agents can operate in the U.S. was underlined yesterday by an internal Pentagon report which concluded that security at most of the nation's 14,000 military contractors was so weak that it did little to deter espionage.

The report, extracts of which were published in the New York Times, said that spying was so easy for employees of most companies that "a supermarket employee may encounter far more difficulty stealing a loaf of bread."

The year-long study calls for wholesale changes in Pentagon security programmes, without making specific recommendations. More than 16 million classified documents are scattered among the defence contractors, with only about 225 defence intelligence agents to police the system, the report says.

The U.S. and the Soviet Union are reported to have reached tentative agreement on an autumn date for a possible summit meeting between U.S. President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader.

Reports from Moscow at the weekend suggested that the meeting would be in Geneva in the second half of November. In Washington, however, officials said there might be a summit before the end of the year but final agreement on time and place had not been reached.

Even if a provisional date were set, it was thought unlikely that the summit would be held in Washington if super power relations deteriorate further. Last week Mr Gorbachev warned that the Geneva arms talks might collapse unless the U.S. took a "more reasonable stand."

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S. Africa in Angolan incursion

BY JIM JONES IN JOHANNESBURG

SOUTH AFRICAN forces claimed to have killed 45 South West Africa People's Organisation (SWAPO) guerrillas in running battles following a cross-border incursion from Namibia into Angola.

General Constand Viljoen, South Africa's defence force chief, said that South African forces crossed into Angola following a number of sabotage attacks by SWAPO guerrillas in northern Namibia and a mortar attack on a South African military base at Eenhana in Ovamboland.

One South African soldier died and another was injured

The South African troops were due to leave Angola late yesterday. The incursion into Angola was the first announced by South Africa since its forces were officially withdrawn from the southern part of the country in April.

This, however, was followed last month by an incursion into Cabinda, Angola's oil rich northern enclave, which resulted in the deaths of two South African soldiers and the capture of a third by Angolan forces.

South Africa claimed that the Cabinda incursion was a reconnaissance mission to check on reports of SWAPO and African National Congress (ANC) bases in the area. Angolan claims that the incursion was aimed at sabotaging American oil installations were corroborated by the captured South African soldier.

Attitudes harden in mines pay dispute

BY OUR JOHANNESBURG CORRESPONDENT

ATTITUDES hardened this weekend as talks on wages for 55,000 black workers in South Africa's gold and coal mines foundered. A growing number of men rejected unilateral increases which the employers intend implementing today.

At the Bracken and Leslie gold mines 100 miles east of Johannesburg, black miners downed tools on Friday and Saturday after being told of the increases and improvements to conditions of service. On Saturday, at the Western Deep Levels gold mine, managed by Anglo American Corporation, 50 miles to the west of Johannesburg, the employees appeared to have rejected shaft stewards' advice to agree to increases announced by the employers.

Sunday is not a working day and as a result management at Bracken and Leslie would not know until this morning if the strike was ended. However, managers have told strikers at both mines that the stoppages are illegal and have warned that unless there is a return to work by this morning, the men would be considered to have dismissed themselves. The response is similar to that which led to the dismissal of 14,000 black miners at the Vaal Reefs gold mine in April. The National Union of Mineworkers is not recognised by management at Bracken or Leslie.

Mr Cyril Ramaphosa, the NUM's general secretary, said in Johannesburg yesterday that his union has not yet called for strike action

Internal market plan gets broad welcome

By Ivo Dawnay in Milan

THE EEC Heads of Government yesterday broadly welcomed the European Commission's proposals for achieving a fully free internal market by 1992.

But although the agenda for decision taking was favourably received, a reservation hung over the timetable for harmonising, or at least drawing closer together, VAT and excise duties imposed by member states.

The UK and West Germany are understood to have voiced reservations on this point, despite the Commission's insistence that such a move is essential to making the full integration of the internal market complete.

The *final communiqué hedged* the issue by calling specifically on the council of finance ministers to re-examine the agenda and necessary measures to achieve sufficiently integrated excise and tax laws.

It also pointed out that institutional questions — unresolved by the summit — will have to be studied to ensure that the markets can be opened within the set time limits.

Nearly all member states are convinced that some agreement on speeding up Community decision-making must be made if the work is to be completed on time.

Officials also noted that efforts to move barriers to the free movement of people between member states have not been listed among the top priorities—a reflection of concern over terrorism and drugs-trafficking.

But on the broad thrust of the White Paper presented by the British Commissioner Lord Cockfield earlier this month, the summit found general agreement.

Areas of high priority were defined as:

- The removal of physical barriers to free movement of goods.
- The ending of technical barriers, involving the adoption of common or compatible standards for new technology to open up public purchasing.
- Establishing freedoms for professionals to work in any member state.
- The creation of a free market for financial services and transport.
- The liberalisation of capital movements.

Ministers renew warnings to Japan

BY IVO DAWNAY IN MILAN

MOUNTING frustration with Japan over the slow progress in its moves to open up its markets to the European Community, re-emerged at the EEC summit in Milan this weekend.

The conclusions of the Italian presidency endorsed the "serious concern" forcefully expressed by foreign ministers earlier this month.

The statement called on Tokyo to increase "significantly and continuously" its imports of manufactured and processed farm products, and to liberalise its financial markets. Action was also demanded on the yen, a currency which many member states believe is artificially undervalued.

Mrs Margaret Thatcher, the British Prime Minister, re-emphasised the point with an attack on the "colossal imbalances" both in trade and the yen's value. She warned that failure by Tokyo to take sufficient note of the Community's frustration would lead to joint EEC-U.S. action "to make Japan make real changes in trade policy."

The EEC leaders also called on M Jacques Delors, the Commission President, to hammer home their concern at the forthcoming visit of Mr Yasumiro Nakasone, the Japanese Prime Minister, to Brussels

Growing trade tensions between the EEC and Japan have not been eased by Tokyo's announcement last week of the first stage in its import action programme, which reduced tariffs on nearly 1,900 industrial and farm products.

The move got only a grudging welcome by M Willy De Clercq, the EEC Trade Commissioner. He noted that many key products were excluded, and some would not enjoy the benefits until as late as 1987.

The heads of government also briefly examined recent moves by Comecon, the Soviet bloc trade organisation, aimed at building relations with the Community. But there was no attempt to push forward to a rapid resumption of the talks on trade relations that petered out in 1981.

Closer collaboration on high-tech endorsed

BY ALAN FRIEDMAN IN MILAN

THE Milan summit gave its stamp of approval to the idea of a collective effort on Europe-wide technological co-operation. In particular it endorsed the French Eureka initiative for creating a technological Europe which would co-ordinate research and product application in the high technology field.

At the conclusion of the summit on Saturday night it was agreed that a ministerial-level meeting should be convened in Paris before July 14 to form an ad hoc committee which will study how to finance the Eureka programme. Research and science ministers from the 10 member states of the Community, new members Spain and Portugal and non-members such as Austria, Sweden, Norway and Switzerland are expected to attend the meeting and form the committee.

One idea discussed in Milan and seen as a serious prospect would be funding the technological co-ordination through the European Investment Bank (EIB).

Although M Jacques Delors, president of the European Commission, has been a fervent advocate of technology co-operation, President Francois Mitterrand on Saturday was firmly resisting the idea of too much Commission involvement in Eureka. One French official explained: "We don't want the Commission to get its hands on this and create a bureaucracy which will frighten everyone away."

This French determination to keep the management of Eureka away from the European Commission fits in with the British view of strong support for Eureka as long as it does not create an unwieldy bureaucracy and entail heavy government contribution.

The French view is that the EIB, industry, universities and other private sector organisations should contribute to the funding of Eureka projects, which would focus primarily on the commercial exploitation of high technology products.

British Prime Minister Mrs Margaret Thatcher came to Milan armed with a proposal to create a "Euro-type product warrant" — a registration scheme open to European manufacturers of high technology products who can demonstrate that the product in question is being developed in collaboration with a company from at least one other European country.

Once a product has been patented as a Euro-type product, a brief description and specification would be circulated to other European manufacturers, who in turn would then have the option to contact the originating manufacturers and offer to participate in the research and development, production and marketing of the product.

The chief benefit for the manufacturer of a Euro-type product would be the Europe-wide acceptance of the warrant as a domestic product for all purposes, especially in public sector procurement by Community member states or by non-members who are part of the agreement.

The British proposal, likely to be discussed at the ministerial meeting this month even contains a specific suggestion as to how Euro-type product warrants could be administered: the European Patent Office in Munich, assisted by a small team of independent industrial consultants, would be asked to judge the eligibility of products based on agreed criteria.

While the scope of Eureka and a technological Europe remains vague, a Community consensus appears to be forming that a joint technological effort should be tied closely to other common policies, in particular the effort to unify the internal market and in trade. Heads of government meeting in Milan said a key goal was to reduce the risk of unnecessary duplication of national efforts in the high technology field.

For example, a British official pointed out that Europe produces no fewer than nine digital switching systems for a market which could support perhaps two or three at best.

Forty-seven measures aimed at making the EEC more relevant to its 227m citizens won the approval of the summit leaders, Ivo Dawnay writes from Milan.

The report of the so-called People's Europe Committee, chaired by Sig Pietro Adonnino, will now be up to the Commission and member states to implement. The heads of government have ordered the preparation of a progress report for the next summit in Luxembourg in December.

People's Europe was an idea born at the Fontainebleau summit last year, when President Francois Mitterrand called for strenuous efforts to make the European ideal a more vivid everyday reality.

The committee's proposals include such ideas as educational exchanges, wider diffusion of television programmes, European work camps, cheap museums and more practical ideas such as an EEC driving licence and integrated rates for postal charges.

Thatcher: backs Euro-type product

Council sees need for speedier decisions

THE conclusions of the Presidency on Institutional Affairs were as follows: The European Council held a wide-ranging discussions on the proposals of the ad hoc committee for institutional affairs set up at Fontainebleau and the draft mandate of the Italian presidency and in particular on the improvement of the Council's decision-making procedure, the enlargement of the European Parliament's role, the Commission's administrative powers and the strengthening of political co-operation in the general context of the tranisition to European union.

It confirmed the need to improve the operation of the Community in order to give concrete form to the objectives it has set itself, in particular as regards the completion of the internal market by 1992 and measures to promote a technological Europe.

The European Council noted that the president of the Council would submit proposals for the improvement of the Council's decision-making procedure, the exercise of the Commission's administrative powers and the Parliament's powers with a view to their early adoption.

The European Council discussed in detail the convening of a conference to work out the following with a view to achieving concrete progress on European union:

- A treaty on a common foreign and security policy on the basis of the Franco-German and United Kingdom drafts;
- The amendments to the EEC Treaty in accordance with Article 236 of that Treaty, required for the implementation of the institutional changes concerning the Council's decision-making procedure, the Commission's executive power and the powers of the European Parliament and the extension to new spheres of activity in accordance with the proposals of the Dooge Committee and the Adonnino Committee.

The president noted that the required majority as laid down in Article 236 of the Treaty had been obtained for the convening of such a conference.

'Internal crisis' warning to EEC on sugar policies

BY JOHN EDWARDS, COMMODITIES EDITOR

THE EUROPEAN Community sugar policy is costing the consumer and taxpayer almost Ecu 2bn—about £1.12bn) a year, according to a report* just published by Agra Europe, the agricultural intelligence organisation.

It says that "much as the Commission may seek to hide the cost of its policy by slick accounting" the EEC is facing an internal crisis over its sugar policy.

In renegotiating its support policy, the Commission will have to choose between reverting to regulations based on the costs of the most efficient producers—involving a price cut of more than 20 per cent—or continue with the present system.

Even if the present system is maintained, budgetary considerations will force a cut in production quotas and a reduction in the support level.

Part of the blame for the present plight of the world sugar industry is due to the EEC's sugar policy, with increased EEC exports now a major destabilising influence in the international market, the report adds.

It sees no solution to the world's sugar crisis. Chronic political interference and technical developments have combined to create a system of long term over-production.

Years of government manipulation and protection of domestic sugar production have ensured world output is well above consumption levels. Even present levels of demand are seriously threatened by increasing worldwide manufacture of "artificial sweeteners," the report points out.

* *EEC Sugar Policy and the International Market. Agra-Europe (London), 16 Lonsdale Gardens, Tunbridge Wells. £25*

W. German car production likely to rise above 4m

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

CAR production in West Germany will top 4m for the first time this year and maintain the record level in 1986, according to the Economist Intelligence Unit's latest forecasts.

West German production nearly reached 4m in 1979, when the total was 3.933m. It fell back to 3.52m the following year but has been recovering steadily since then except for a slight setback in 1984.

The EIU, in a new quarterly publication, European Motor Business, suggests that Spanish car output will also rise strongly this year and next.

Demand in Spain is likely to remain depressed at around 501,000 this year (up from 496 524 in 1983) and 520,000 in 1986 leaving over 60 per cent of production—forecast at 1.26m this year rising to 1.35m in 1986—to be exported.

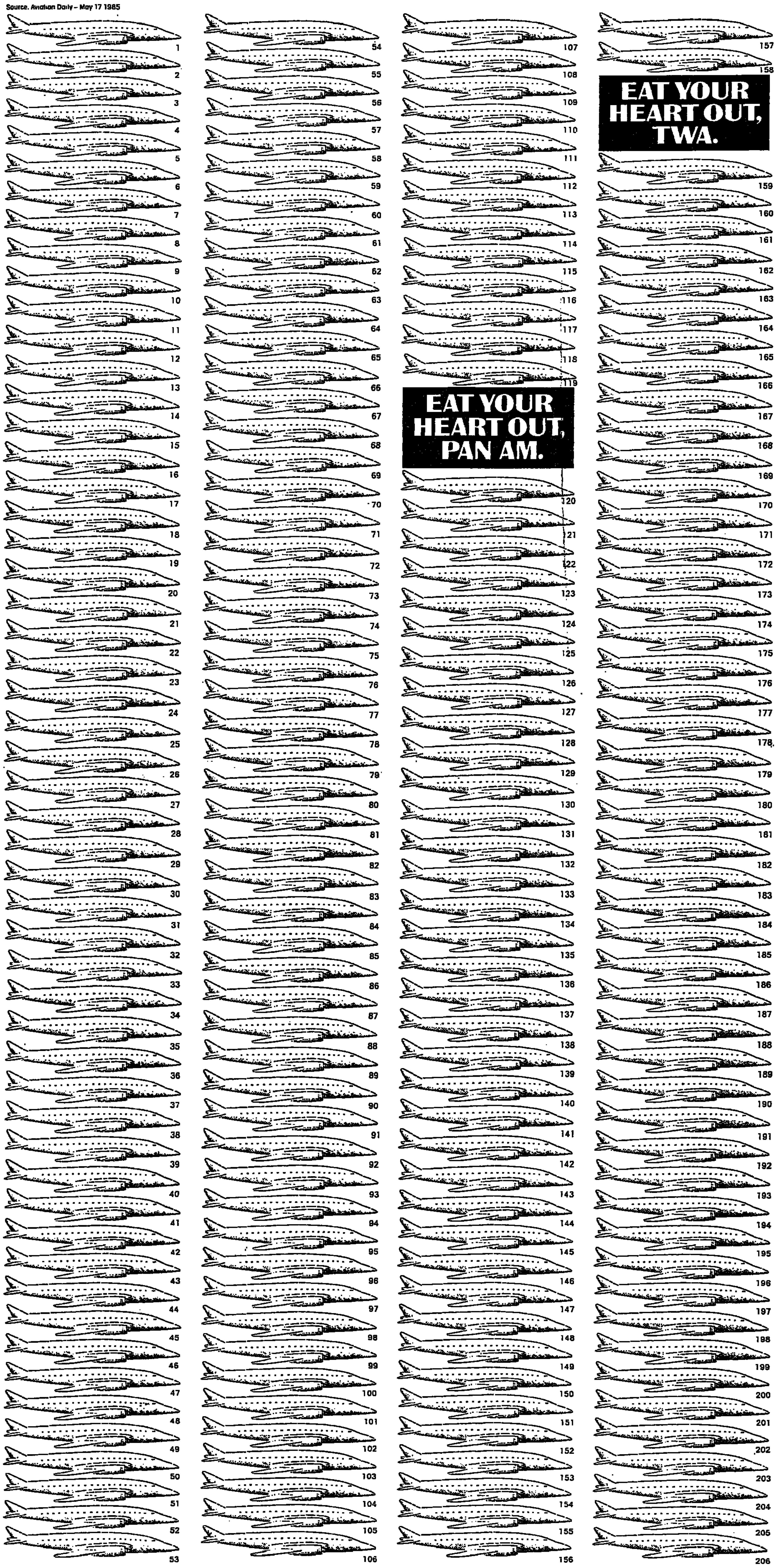
If the forecasts are correct, Spain will move well ahead of of the UK in car output and begin to creep up on Italy, the third largest West European car producing country.

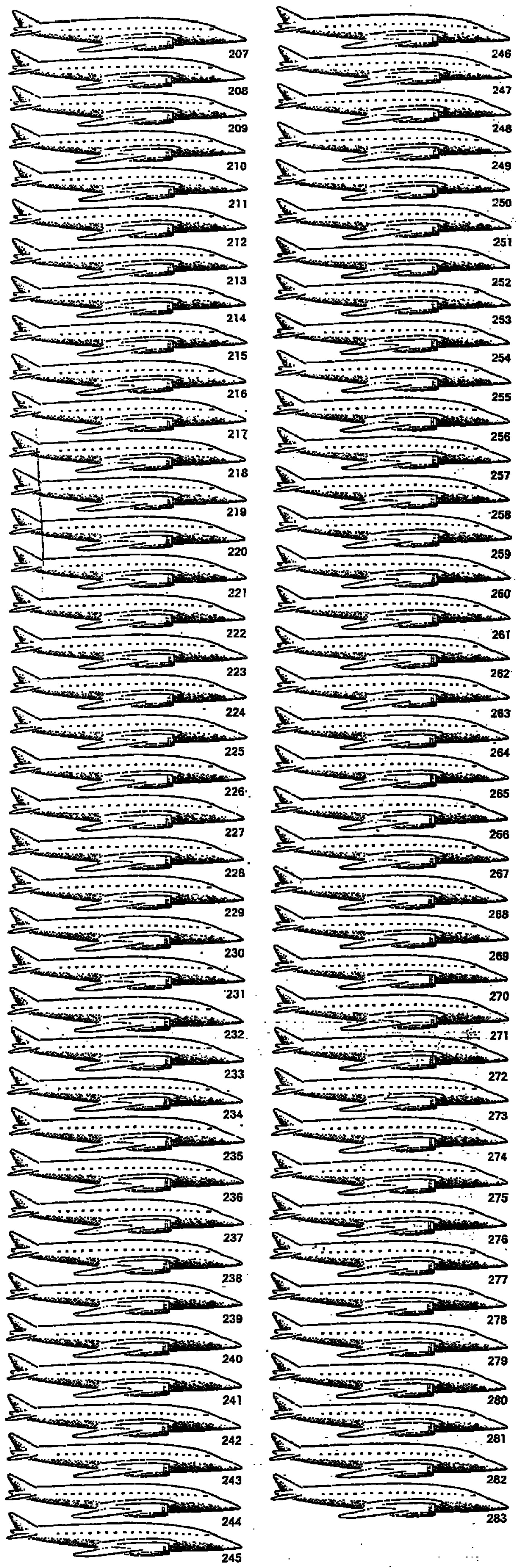
The forecasters do not believe output in the UK will reach 1m again either in 1985 or next year.

Production of commercial vehicles is predicted to improve this year in all the markets except Sweden. The EIU says commercial vehicle output in West Germany will go up from 255,298 in 1984 to 265,000 this year and 270,000 in 1986.

Equivalent figures for the other production countries are: France 348,863, 355,000 and 365,000; UK 224,825, 235,000 and 220,000; Italy 161,894, 165,000 and 170,000; Spain 131,876, 135,000 and 132,000; Sweden 59,011, 58,000 and 60,000; Belgium 52,112, 52,000 and 55,000 and the Netherlands 13,617, 14,000 and 15,000.

EIU European Motor Business: £185 a year from 40 Duke Street, London W1A 1DW.





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Vickers in link-up to manufacture self-propelled gun

BY ANDREW WHITLEY IN RIO DE JANEIRO

VICKERS, the British shipbuilding and armoured vehicles company, has linked up with Cummins, the leading U.S. manufacturer of diesel engines, and with a privately-owned Brazilian shipyard, Verolme, to design and develop a tracked, self-propelled gun in Brazil.

The tri-national association, formed to produce a replacement for the ageing U.S. M-109 self-propelled gun, is being described here by those involved as "the most important private joint venture ever created in the defence sector."

Under the terms of the recently-signed agreement, Verolme—a former subsidiary of the bankrupt Dutch shipbuilding concern—is to build the armoured chassis and body of the new weapon at its Angra dos Reis yard, while Vickers will supply the turrent from the UK and be responsible for the acquisition of the gun.

Likely suppliers of the gun are the Royal Ordinance factory or Rheinmetall Gmbh of West Germany.

A separate understanding has been reached with the Cummins Engine Company of Columbus, Indiana, whereby the U.S. company will equip the Verolme hassis with a diesel engine made by its Sao Paulo subsidiary. The capacity of the engine has not been disclosed.

Mr Peter Landsberg, president and chief shareholder of Verolme, said on Friday the weapon was being developed for the export market rather than the Brazilian armed forces. The main market is seen as the Third World but Mr Landsberg said he hoped Cummins' involvement would help to attract North American customers as well.

According to Sr Paulo Kos, vice-president of Verolme, a potential world market of 3,500 units exists for the weapon, whose sale price is estimated at $1m (£775m).

Bofors wins Brazilian deal

BOFORS, THE Swedish armaments manufacturer, has won two orders in Latin America worth a total of SKr 255m (£22.3m), writes **David Brown in Stockholm.**

The group is to supply the Brazilian military with an unspecified number of 40mm Bofi-type aircraft pieces—which include radar equipment produced by L. M. Ericcson—worth SKr 190m over the next two years.

A further SKr 65m order was received for 57mm MK-2 naval guns for coastal patrol boats, but Bofors declined to name the buyer-country.

● *Skanska, the Swedish construction group*, has confirmed that it has signed an order to complete "at least one" passenger-car ferry for the Polish shipyard authorities, in a deal worth about SKr 150m.

Stena Line, of Sweden, ordered four vessels from Polish yards in 1978. However the Poles—hit by labour unrest, and production and supply problems, are three years behind the delivery schedule.

World Economic Indicators

INDUSTRIAL PRODUCTION
(1980 = 100)

					% change over previous year
	May 85	Apr. 85	Mar. 85	May 84	
U.S.*	165.3	165.5	165.9	162.8	+1.5
	Apr. 85	Mar. 85	Feb. 85	Apr. 84	
UK	107.4	106.8	104.5	102.3	+5.0
	Mar. 85	Feb. 85	Jan. 85	Mar. 84	
W. Germany	101.0	102.5	103.1	97.5	+3.6
France	101.4	101.0	98.0	100.3	+1.1
Italy	98.0	98.3	91.7	94.2	+4.0
Netherland	106.3	106.2	109.1	102.8	+3.4
Japan	118.6	120.3	120.4	112.8	+5.1

* 1967 = 100

Source (except U.S., UK, Japan): Eurostat

UK group to build Canadian steam plant

By Andrew Fisher

GKN BIRWELCO, part of Guest Keen and Nettlefold of the UK, has won a C$72m (£41m) contract to provide a refuse fired steam plant for the Greater Vancouver Regional District in western Canada.

The contract cover the design, supply, construction and operation of the plant, which will be able to burn 456 tonnes a day of unsorted domestic and municipal refuse on two grates to be supplied by Martin GmbH of West Germany.

Saturated steam generated by the plant will be sold to a neighbouring paperboard mill in South Burnaby.

Lufthansa announces Airbus orders

West Germany's national airline, Deutsche Lufthansa AG, has announced a deal to buy 15 European Airbus A320s with an option on 25 more, **Reuter reports from Frankfurt.**

The contract, signed at the weekend by Mr Jean Pierson, Airbus Industrie chairman, and Mr Reinhardt Abraham, Lufthansa executive, also included the purchase of seven widebodied A300-600s with an option on a further three. Lufthansa said. It gave no financial details but industry sources said the order was worth at least $1bn (£775m)

Occidental signs China mine deal

China has signed a $650m (£503m) deal with Mr Arnand Hammer, Occidental Petroleum Corporation's chairman, to develop what he said was probably the largest open-cast coal mine in the world.

The deal, signed after nearly four years of negotiations, is thought to be the biggest joint venture China has made with foreign companies after a nuclear power plant to be built in south China.

British company wins share in SA order

A British-West German consortium has been awarded a £20m contract by Amcoal for the removal of sand layers at the New Vaal Colliery in South Africa. The companies are Babcock-Moxey, part of Babcock International of the UK, the South African subsidiary of O and K Orenstein and Koppel of West Germany.

Chris Sherwell reports on UK moves to increase south east Asian orders

Channon boosts Railbus sales drive

MR PAUL CHANNON, Britain's Trade Minister, meets Indonesian officials today and his Malaysian counterpart later this week, to step up the UK Government's support for British Rail and Leyland.

The item he is helping to sell is the novel Railbus, which combines an undercarriage and suspension from British Rail Engineering and a bus body and diesel engine from Leyland Bus, both state-owned concerns.

Last week, while in Bangkok on the first leg of a 19-day south-east Asian tour, Mr Channon took a prospective sale to Thailand of up to 14 two-car units a stage closer. Malaysia is in line for 10 such units, while Indonesia, given three three-car units as a £2m gift by Britain last month, could take up to 15 more on a commercial basis.

The Indonesian gift along with grants of financial aid by Mrs Thatcher's Government to help Thailand and Malaysia buy Railbus, mark a significant break with policy. But the government says such aid is essential to win orders in south-east Asia, and insists Railbus offers an unusual export opportunity.

Railbus is described as a low-cost, low-maintenance, fuel efficient form of suburban rail transport, ideal for commuter use on otherwise uneconomic branch lines. Already in use on Britain Rail, a simple version has been operating in Thailand and Malaysia for 15 months on demonstration runs, and the Indonesian gift will serve the same purpose of proving its usefulness.

Both Malaysia and Thailand can expect UK aid of up to 25 per cent of the contract value in purchasing the Railbus. But how much the prospective deals will actually be worth depends on the "extras," such as air conditioning and toilets, which are added on to the basic model.

These would cost around £250,000 to £300,000, meaning tens of millions of pounds of business is at stake. The real value, though, would show up later in additional orders down the years.

The sales opportunity is seen as unusual because Britain is in a position to snatch a lucrative south-east Asian market not yet cornered by foreign competitors. One of these, Japan, is believed to be demonstrating a comparable vehicle.

Another, Hungary, is competing in Malaysia with a vehicle manufactured by Ganz-Mavag. The Hungarians may support their bid with a counter-trade element, something Britain would have to counter.

Mr Channon will be trying to persuade the Malaysians not to put any order out to tender. But a Malaysian deal could be stalled until later in the year, when the terms of the country's next five-year plan, including the Railbus purchase, will have been confirmed.

A deal could also be delayed through a failure by Malaysia and Britain to agree details of extra flight services, a still unresolved and separate bilateral issue. British Steel lost an order to Poland last year for the same reason.

In Indonesia there are several technical matters still to iron out concerning track and bridge loadings, before demonstration services start, but negotiations are likely to begin on commercial orders in the wake of Mr Channon's visit.

The best hope for the first south-east Asian Railbus order seems to lie in Thailand, where the UK aid offer is designed specifically to sweeten the price and gain a competitive edge.

Earlier there was some anxiety while the state railway authority and the communications minister made up their minds. In the event, the Thais opted for Railbus units with sophisticated trimmings and they will be used on mainline rather than branch services.

In all three countries, representatives of British Rail Engineering and British diplomats have invested considerable efforts in making the necessary political contacts and smoothing the way towards orders for Railbus. At one point, in Kuala Lumpur on her whirlwind tour in April, even Mrs Thatcher drove one. She and Mr Channon are keen to see the fruits of these efforts ripen further.

Taiwan tightens laws on computer software piracy

BY BOB KING IN TAIPEI

TAIWAN's Parliament has passed a long-awaited amendment to its copyright law which for the first time brings computer software and video tapes under legal protection.

The amendment, proposed more than two years ago, about the same time the Government toughened its trade mark law, also ensures that convicted copyright pirates will be jailed. The amendment closes a loophole that allowed most pirates to pay instead a fine of about 27 U.S. cents (20p) for each day of the sentence.

Now they risk a maximum sentence of five years for each offence and a maximum fine of NT$450,000 (about £8,600) compared with the previous three-year penalty and NT$3,000 fine.

The revision will probably mute critics abroad who have long considered Taiwan to be the counterfeit capital of the wordl but it will give the authorities stronger weapons to combat rampant copyright violations.

On the island copies of hundreds of popular programmes for Apple II and IBM personal computers can be obtained for as little as $4.

Two video tape libraries offering copies of first-run movies for little more than the cost of the cassette have mushroomed. Most foreign visitors to Taiwan visit Tailpei bokostores, where hardback versions of best sellers are cheaper than paperl backs.

A recent Government Press release said Taipei courts last year indicted 521 persons for counterfeiting compared with 344 in 1983 but added that the number of cases handled by police declined 39 per cent that year to 1,335.

● SCHINDLER-DIGITRON, the Swiss-based company, and General Motors-Fanuc Robotis, the U.S.-Japanese joint venture are to co-operate on robot systems for factories.

Schindler-Digitron, a subsidiary of the Schindler lifts group, said the two companies had set up a joint project team to handle contracts for systems worth between $20m (£15.5m) and $50m.

Singapore airline to fly daily to U.S. west coast

BY OUR SOUTH-EAST ASIAN CORRESPONDENT

SINGAPORE International Airlines (SIA), the island state's national flag carrier, has won a new and improved services agreement with the U.S. allowing daily flights to the west coast.

The agreement, concluded in Washington last week after three years of occasionally bitter negotiations, is one of a series of important bilateral agreements concluded ahead of the company's planned public share offer in Singapore.

Until now SIA has operated three flights a week to Los Angeles via Tokyo, while thre U.S. carriers have run 13 services a week. Under the new pact, SIA can add two more flights almost immediately and another two later, probably by the end of next year.

The pact follows the start of direct SIA flights to China in May, when the airline also secured the extra flight it wanted to Manchester in England. Hopes are rising too for an agreement on extra SIA flights to Australia, on top of the 10 it now operates.

SIA has recently begun services to such tourist destinations as Mauritius and the Maldives and has concluded air services agreements with Italy last week and with Oman in May.

Kieran Cooke writes from Jakarta: the Indonesian state airline, Garuda, has signed a cooperation agreement with Continental Airlines of the U.S. for regular services between the Indonesia holiday island of Bali and the west coast of the U.S.

A joint flight service will begin in mid August, using a Garuda DC10 with the Continental colours on one side and the Garuda colours on the other. Once a week flights are planned initially, rising to three times a week early next year.

Indonesia says it plans to buy two CL-215 firefighting aircraft from the Canadian aircraft company, Canadair, to cope with forest fires which have been causing extensive damage in the country in recent years. Each of the twin-engined amphibious planes will cost Indonesia more than $5m (£3.9m).

SHIPPING REPORT

Tanker and grain rates continue to decline

By Andrew Fisher, Shipping Correspondent

GRAIN RATES continued to fall last week, while tanker business was slack ahead of next week-end's meeting of the Organisation of Petroleum Exporting Countries at which some accord on prices and output quotas is hoped for by the market. One London ship-broker said some Gulf rates had never been lower.

On both north and south Atlantic routes, grain activity was depressed. Soviet redeliveries over the past month of at least 25 bulk carriers chartered to meet 1984-85 grain import needs helped keep the market weak.

The grain rate from the U.S. Gulf to continental Europe fell further to $7.50 (£5.8) a ton—in May it was over $9—while that to Japan also slipped to $13.25 (more than $14 in May), said Denholm Coates, the London ship-broker.

Coal markets were quiet, with rates drifting down. Ore trading was also slack and rates crumbled. With more tonnage becoming available for July, Galbraith's said "prospects look distinctly gloomy."

On the tanker scene, operators are pinning their hopes on the Opec partners agreeing to price cuts and thus stimulating demand. Until then, little is likely to happen on the market.

There are 29 VLCCs (very large crude carriers) of 8m deadweight tons sitting off the Gulf waiting for employment, E. A. Gibson Shipbrokers said. "Charterers have had no difficulty whatsoever in depressing rate levels to an all-time low."

● Nippon Yusen is to become the first Japanese shipping company to run its own double-stack container train from the West Coast of the U.S. to the American Midwest, writes Nancy Dunne in Washington.

The practice of using the lighter-weight, more fuel-efficient double-stack trains has been growing in the U.S. over the past four years. The entrance of Nippon Yusen into the business is a logical extension of the massive flow of U.S. imports from Japan and the other Pacific rim countries.

UK NEWS

Electricians seek to extend peace deals

BY HELEN HAGUE

THE ELECTRICIANS' union believes it could shortly negotiate four more so-called "no-strike" deals in high technology and electronics companies, Mr Eric Hammond, general secretary of the EETPU, disclosed on the eve of the union's biannual conference in Blackpool.

The union's leadership will face criticism from some factions of the union over the deals it has already struck from the conference floor later this week.

Mr Hammond disclosed that six more deals – in addition to the four that are "capable of being tied up shortly" – were also in the offing. "It means that we grow by recommendation as well as example," said Mr Hammond.

Mr Hammond could envisage discussions taking place "which would make disputes less likely." The agenda would have to include:

● A proper recognition of the place of supply workers in terms of wages and conditions.

● It would probably include having a single status negotiating forum for the electricity supply industry.

"If the Government was prepared to talk on these points, it might be we could look to a new deal," said Mr Hammond. That, however, would need the agreement of all unions concerned plus membership consultation.

He made clear that the union would be in the forefront of opposition to government legislation, which sought to impose a ban on strikes in essential services.

No such move was justified, said Mr Hammond, with particular reference to electricity supply – an area where the electricians played a key organisational role.

Although the union would be opposed to any imposition by law, it would be prepared to talk about a possible deal.

He does not believe the union will be expelled from the Trades Union Congress (TUC) for taking government cash for ballots.

Ministers study plea to ease 'distortion' in capital tax rules

BY CLIVE WOLMAN

BRITISH Treasury ministers are considering a last-minute amendment to the Finance Bill which insurance companies and stockbrokers claim is necessary to prevent serious distortions emerging in the UK's financial markets and a clog on equity trading.

The protests have arisen over the effect of the changes in the capital gains tax (CGT) rules announced in last March's budget. A lobby led by the Association of British Insurers, the insurance company trade association, claims that the new rules will prevent investors from buying any more blue chip stocks and other leading UK equities and force them to invest more of their money overseas.

The rules also magnify the locking-in effect of CGT by imposing a heavy penalty on the sale of part of a holding of shares in an individual company that has been built up over many years.

Mr William Mahoney, of stockbrokers W. Greenwell, which has joined the representations to the Government, said: "The CGT rules have become so complicated that it has taken a long time for people to 'realise how much this is going to damage the stock market."

The disputed tax changes are a by-product of the decision announced by the Chancellor of the Exchequer to make the CGT inflation adjustment provisions comprehensive. The new rules require that when part of a holding of shares that has been built up over many years is sold, the capital gain is calculated by reference to the cost of the earliest shares in the holding to have been acquired. This is a form of the first-in-first-out (Fifo) method of accounting.

Many insurance companies have large holdings in blue chip stocks such as Marks & Spencer or GEC which were first acquired in the 1950s or 1960s and have values that have multiplied several times in nominal terms since than.

The CGT rules that applied between 1982 and April of this year allowed investors to use the last-in-first-out (Lifo) method of calculating the capital gain on the sale of part of a shareholding.

The effect of the change is demonstrated by the case of one mutual insurance company which manages approximately £1.5bn ($1.95bn) of UK equities. In March it added to its holding of ICI shares by buying about 130,000 shares at a price of about 800p, which it now wants to sell.

Based on Friday's price of 740p, it would register a capital loss of 60p under the pre-April Lifo rules. That would be enhanced by the indexation allowance and could be offset against other capital gains.

Under the rules in the Finance Bill, which is now reaching the end of committee stage of its passage through the House of Commons, the company will be forced to identify the shares with a pool of all the ICI shares it acquired before 1982 at an average cost of only 231p. Thus, the company will be deemed to have made a nominal capital gain of 509p a share and will be obliged to pay CGT of about 150p a share – or about £200,000 in total. The loss per share, after tax, as a result of these two transactions will be not 60p but about 210p.

As a result, the company is unlikely to sell the shares at all. It is also unlikely to add further to any large holdings of UK equities which have been built up over many years at a relatively low base cost, even if it believes such purchases are justified on economic grounds.

Instead, there will be a strong incentive for the insurer to invest in companies in which it has no holdings. That will not be an easy task for many large institutional investors if they are limited to the UK

According to Mr Howard Davies, assistant investment manager of the Co-operative Insurance Society: "There will not be enough equities to go around here. People will be encouraged to look overseas." Mr Davies estimates that about 80 per cent of new cash coming into an insurance company's equity fund goes at present into existing holdings and only 20 per cent into new holdings.

He also estimates that the changes, if implemented, would lead insurance companies, as the leading CGT-paying institutional investors, to reduce their equity turnover by between 10 and 25 per cent, which would also cut stockbrokers' commissions.

The lobbyists are pressing the Government either to restore the Lifo method of calculating gains or to introduce a different method of pooling the shares in a single company.

Polls predict close count at by-election

BY PETER RIDDELL, POLITICAL EDITOR

THE OUTCOME of the Brecon and Radnor by-election for a seat in the House of Commons on Thursday may remain in doubt up to the last minute following the publication of sharply contrasting opinion poll figures over the weekend.

A Market and Opinion Research International survey in yesterday's Sunday Times makes Labour the clear favourite to win the seat on the Welsh and English borders at 44 per cent, compared with 24 per cent for the Conservatives.

This poll was carried out last Thursday and Friday, but a National Opinion Poll survey for the Daily Mail carried out at the beginning last week put the Conservative candidate in the lead at 34.5 per cent, ahead of Labour at 32 per cent. Both polls put the Liberal-SDP Alliance at 30 per cent.

It is unlikely that such a large movement can be explained by changes in voting intentions in such a short period or by the pollsters' usual margin of error. The pollsters may be facing problems in surveying such a large constituency with so many small towns and villages.

Labour claimed the Mori survey supported its canvass returns, while Mr Alan Beith, the Liberal Chief Whip, pointed out that a poll a few days before last year's Portsmouth South by-election put the Alliance candidate in third place, although he won. A Conservative Central Office worker said the poll was "so way out as to be unbelievable."

The Mori survey was based on interviews with a representative sample of 627 people in 47 different points, while NOP talked to 749 people in 37 points.

A further survey for HTV is expected to be announced this evening.

The Conservatives are defending a majority of 8,784 won by the late Mr Tom Hooson at the 1983 general election.

The outcome is being watched closely by all parties and may have an important psychological effect on party morale and opinion poll ratings despite the highly unusual nature of the constituency.

Interpretation of the result, expected around lunchtime on Friday, may be complicated by the three-way split of the votes.

None the less, a win for Labour would be a boost for the leadership of Mr Neil Kinnock, while the Tories will be relieved to hold on to the seat even if their vote drops. The Alliance will be hoping for a win or a strong second place to maintain its advance in the polls this year.

A Mori national survey, conducted on June 21 and published in the Sunday Times, suggests that Labour is now in a clear lead at 40 per cent, ahead of the Tories on 32 per cent and the Alliance on 26 per cent. This indicates that Alliance support may have slipped back from the 30 per cent plus level it enjoyed immediately after its successes in the county council elections in early May.

BRECON AND RADNOR – POLLS

	1983 Election	MORI June 4–9	NOP June 22–26	MORI June 27–28
Conservatives	48	31	34.5	24
Labour	25	39	32	44
Alliance	24	28	30	30
Other	3	2	3.5	2

Record £2bn spent on merger deals

BY DAVID GOODHART

BRITISH COMPANIES spent just under £2bn on mergers and acquisitions in the first quarter of this year. It was the highest figure ever recorded, according to the Department of Trade and Industry.

The 104 mergers were actually significantly fewer than the 177 in the fourth quarter of 1984, but the value of the deals at £1.98bn was 7 per cent higher.

More than half of that sum arises from just two huge transactions – the acquisition of Hambro Life Assurance by BAT Industries for £662m, and the acquisition of Sterling Guarantee Trust by P&O for £385m.

Two other big deals were the purchase of Trident Television by Pleasurama for £117m and British American Cosmetic by Beecham Group from BAT Industries for £104m. A further 16 deals were valued at more than £10m.

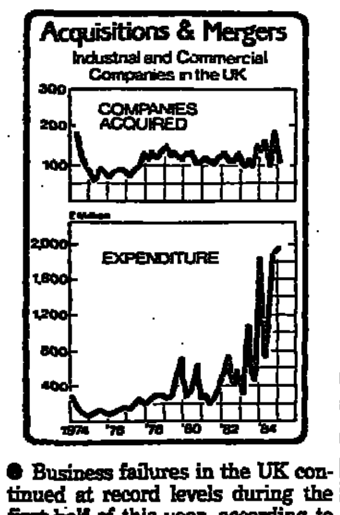
According to the department, the total money value of acquisitions was the highest on record but, after adjusting for inflation, it was equivalent to only about half of 1972 expenditure.

The average value of all acquisitions in the first quarter of this year was £19m compared with £10.5m in the previous quarter. Taking the whole of 1984, the figure was £9.6m compared with £5.2m in 1983.

The percentage of expenditure in cash fell by about 12 per cent in the first quarter of 1985 and accounted for 41 per cent of the total as against 53 per cent in the previous quarter.

Expenditure in terms of ordinary shares decreased slightly to account for 41.5 per cent of the total and the proportion accounted for by the issue of fixed-interest securities rose from 4.5 per cent to 17.5 per cent, the highest since the first quarter of 1984.

The increase in the share of fixed-interest securities in this quarter is mainly attributable to the acquisition of Hambro by BAT, Trident Television by Pleasurama and Law Land by Greycoat City Offices.



● Business failures in the UK continued at record levels during the first half of this year, according to the first comprehensive survey by Dun & Bradstreet, the business information company.

Total company liquidations in England, Wales, Scotland and Northern Ireland for the first six months were 7,984, a 4 per cent increase on the same period of 1984.

However, bankruptcies among individual firms and partnerships fell to 3,531, in the first six months of 1985 – a 17.6 per cent decrease over the same period last year.

Dun & Bradstreet said: "While continuing to be high, business failures overall show a significant division between company liquidations and bankruptcies.

"Company liquidations in the UK show a 4 per cent increase over the same period in 1984, whereas bankruptcies show a decrease of 17.6 per cent.

In England, the first half results show that London and the South east of England continued to be the area worst hit by liquidations, followed by the North west, the West Midlands and the North east of England.

Scotland showed a fall in the number of company liquidations by 43 per cent on the first half of 1984.

Phoenix dissidents win back their vote

By Raymond Hughes, Law Courts Correspondent

DISSIDENT shareholders in Phoenix Timber Group have defeated an attempt to stop them voting at the company's extraordinary general meeting today.

A High Court judge on Friday set aside an injunction made on Wednesday against Mr Michael Hermann, a Phoenix director, and his wife, who between them hold 359,590 of the company's shares.

Mr and Mrs Hermann requisitioned today's meeting for the appointment of new directors. They are heading a group of shareholders trying to wrest control of Phoenix from the present board.

The board went to court complaining that the Hermanns had breached a section of the Companies Act by not disclosing the identities of beneficiaries of certain trusts on whose behalf they hold some of the Phoenix shares.

Mr Justice Mervyn Davies said there were grounds for supposing that the Hermanns had given what information they could about the beneficiaries.

He said such information as there was about other interests in the shares was as much known to the company as it was to the Hermanns.

CAR MAKERS GIVEN TIME TO COMPLY WITH RULING

Community brings car pricing into line

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

REGULATIONS to bring taxable car prices in the European Community more into line take effect today, but there will be no practical impact until the autumn.

The European Commission had granted the car makers a further three months to sign new contracts with their dealers and to comply with the regulations.

The regulations permit the car makers to retain the previous selective distribution system – which allows them to restrict sales of new cars to their own, franchised dealers.

That restriction on trade would be illegal if the Commission did not give a special exemption. The Commission agreed that it was in the public interest for the franchised dealer networks to continue to operate because of the servicing required for cars and the safety factors involved.

However, the makers were also warned that pre-tax car prices in different parts of the Community were often too wide apart. The new regulations insist that the price for the same model should be no more than 18 per cent higher in one Community country than in another.

Any company that fails to comply runs the risk of losing its right to maintain a franchised dealer network.

The motor industry had asked for 12 months' grace but the Commission gave nine months. That means that monitoring of the regulations will not start until October at the earliest.

The UK Consumers' Association said at the weekend that it was "absolutely despicable" for the car makers to be given extra time. "There is very little justification to give them another three months, considering the time that this matter has been under discussion," it said.

However, the Society of Motor Manufacturers and Traders pointed out that the Commission had accepted that the producers could not get through the complexities involved in renegotiating contracts with all their dealers in the six months since the new regulations were agreed.

British butter prices 'could be halved'

BY JOHN EDWARDS, COMMODITIES EDITOR

THE PRICE of butter in Britanien could be halved, and that of cheese reduced by a third, if the UK abandoned its present milk marketing system, according to a report by the Adam Smith Institute, the economics research group.

Decades of government intervention had made Europe's dairy industry so inefficient that it had to impose an import levy of 52p a pound to keep out foreign competition, the institute said. Large sums of taxpayers' money were required, moreover to shore up the complex mechanism of controls, and butter was sold cheaply to the Soviet Union while EEC consumers had to pa dearly.

The report, urging that the UK milk cartel be "smashed" claimed that policies designed to promote stability in the market had actually thrown the dairy industry into chaos. Each government-inspired attempt to regulate the market had caused unwanted side effects that required still more changes in policy. As a result dairy farmers had been driven out of business and the industry had become concentrated in the hands of a large producer group, unresponsive to consumer needs, the institute claimed. The problem had become particularly acute because the body designed to regulate producers – the Milk Marketing Board – also competed with them, making the position of smaller dairy farmers and manufacturers intolerable.

The report estimated that the Milk Marketing Board controlled 60 per cent of all manufacturing capacity in the UK. Its manufacturing offshoot, Dairy Crest, was immune from many of the normal competitive pressures that work to satisfy consumers in other markets, the report claimed.

The institute suggested, however, that pressure from consumers, small farmers and countries put at a disadvantage by the present policies would soon bring an end to the existing arrangements.

Several competing producer co-operatives could be established to attack the privileged position of the Milk Marketing Board and sharp competitive pressure brought to bear with unrestricted imports of milk.

The long-term result would be a more stable milk industry

Milking the Consumer, Adam Smith Institute, PO Box 316 London SW1P 3DJ £8.

Editor of Financial Times wins U.S. award

MR GEOFFREY OWEN, editor of the Financial Times, has been named International Editor of the Year by the World Press Review, a leading U.S. media magazine.

The award – presented annually since 1975 – honours "courage, enterprise, and leadership on an international level in advancing press freedom and responsibility, enhancing world understanding, defending human rights, and fostering journalistic excellence."

Mr Owen, 51, is recognised "for his leadership in outstanding coverage and interpretation of international banking and debt problems and other global concerns; for his newspaper's general excellence; and for his contribution to its international role."

He joined the FT in 1958 and served as U.S. correspondent, industrial editor, and deputy editor before becoming editor in 1981. From 1967 to 1972 he worked for the Industrial Reorganisation Corporation and British Leyland.

He is the third British editor honoured by World Press Review. Mr Harold Evans, formerly of The Sunday Times, was Editor of the Year in 1975, and Mr Andrew Knight of The Economist, in 1981.

How cinemas plugged the audience drain

Raymond Snoddy says that an increasing number of British cinemas are playing to packed houses as the industry cautiously anticipates a revival in its fortunes.

THE CINEMA at Woodbridge, Suffolk, on the eastern side of England, was built in 1915 and destined to go the way of hundreds of other British cinemas when Mr Pat Betts bought it.

Mr Betts, chairman of his own group of private component and castings companies, only became interested because he remembered the dilapidated cinema in its red plush days in the 1930s when he was a boy. He did not want to see it turned into a warehouse.

"When I was at school you queued up on Saturday afternoons and only got in if you were lucky," said Mr Betts, who bought the cinema for £70,000. In May this year it reopened, restored to its former glory after a £200,000 refurbishment and the addition of a brasserie open from 8am to 11pm.

The first film to be shown, the Oscar-winning Passage to India, played to capacity audiences and 200 people had to be turned away from the booking office.

Subsequent films have not done quite so well and Mr Betts concedes that the cinema is going to need constant attention if it is going to survive.

"There is no pot of gold at the end of it but we are going to make a go of it," Mr Betts says with determination. The cautious optimism about the future of the Riverside Theatre in Suffolk is a small symbol in British Film Year of the fight back of the cinema exhibition industry in the UK. Attendances fell last year to an all-time low of 55m compared with 69m in 1983 and more than 300m a year during the 1960s.

Now the audience seems to be returning and cinema chains are optimistic that they can get back this year to be 1983 level of admissions.

"For the first six months we are up 24 per cent and we did not go down as far as the other chains last year," said Mr Martin Stafford, general manager for cinema marketing at Thorn EMI which runs 106 cinemas with 287 screens.

Mr Stafford believes that the publicity generated by British Film Year has played a part in the upswing by attracting some people back to the cinema for the first time in years. Later this month Thorn EMI will announce the construction of a new multi-screen cinema in a £3m development.

Last month the Rank Organisation opened a new three-screen Odeon cinema in Bristol, part of a £4m development. The new James Bond film A View to a Kill, which has been breaking box-office records in London, has been playing to capacity audiences in the new cinema.

"Bristol, we believe, is the first new cinema to be opened in British Film Year," Rank said.

Rank is now planning a series of new cinemas in joint deals with developers.

Earlier this year, attendances at the Rank Organisation's 78 cinemas with 197 screens, was running 65 per cent higher than the same period last year. The increase has now eased to 50 per cent, but Rank expects attendances to rise again as James Bond goes on general release. The Film Year, the company believes, has played a part by increasing awareness of the cinema.

The British Film Year Roadshow, which will visit 25 British towns and cities this year with stuntmen, stars and special screenings, has been getting an enthusiastic reception. Omar Sharif turned up in Lincoln for a special showing of Lawrence of Arabia, the film that launched his career.

Hull organised a film festival to coincide with the week the Roadshow was in town and audiences at the Hull Film Theatre rose 100 per cent. Managers report cases of people who had not been to the cinema for the past six years going three times in a month.

Whether such visits will have much lasting effect is more difficult to say. However, the Hull Daily Mail has proposed sponsoring a film festival again next year.

Mr Barry Jenkins, managing director of Cannon Classic cinemas, is sceptical about the effect of British Film Year so far.

"I do not honestly believe that the increase has much to do with British Film Year. It only started in April and I think 90 per cent of the rise is due to the good films that have become available," said Mr Jenkins.

Cannon Classic admissions are 35 per cent up on last year and, with a number of strong films on the way, Mr Jenkins believes the increase for the year might easily be in excess of 50 per cent.

Cannon, which has 128 screens in the UK, is enthusiastic about the future of the British industry. Mr Jenkins is in the market for more cinemas in the right locations and up to £40m might be available for expansion in the UK.

In the meantime, Cannon is involved in a rolling programme of refurbishing its existing cinemas. The company has just modernised its Hastings cinema at a cost of £750,000 and is now moving on to do the same to its cinema at Quinton, near Birmingham. Independent cinemas have been having a more difficult time but here too admissions are up.

Mr Brian Saunders of the Association of Independent Cinemas believes admissions overall are about 35 per cent up but attendances are very uneven, with people increasingly only going to see the big successful films.

"In the lulls between big films things are really dreadful," Mr Saunders said.

UK NEWS

MP COMMITTEE SEEKS VETTING ROLE IN PRIVATISATION BILL

Challenge over gas controls

BY IAN HARGREAVES AND DOMINIC LAWSON

A SERIES of challenges to the Government's plans for the regulation of British Gas when it joins the private sector are to be launched in the next few weeks.

The most significant intervention will come from the House of Commons all-party energy committee, which has decided that the regulation of the privatised gas company is so crucial that it should hold public hearings on the matter as soon as parliament returns from the summer recess.

In a highly unusual procedural move, the committee is also making a behind-the-scenes attempt to secure for itself the role of vetting the regulation aspects of the gas privatisation bill during the second reading of the Bill, which is expected to be in November or December.

The committee's move has irritated ministers, who believe that it will duplicate their workload in what is already an extremely tight timetable to ensure that the £8bn privatisation can take place during 1986, in time to release the funds needed to permit the Chancellor of the Exchequer to cut taxes before the next general election.

Mr Peter Walker, the Energy Secretary, is intent upon completing his own department's work on draft regulatory procedures for submission to Cabinet within the next two weeks.

Mr Walker, like Sir Denis Rooke, British Gas's chairman, is pressing for a minimal level of regulation. The two men believe that will both yield the maximum price for the shares when they are floated and give management the necessary freedom to run the business as they think fit.

Sir Denis, in an interview, said: "Things that are not regulated now should not be regulated in the private sector. Regulation should be as light as possible and cover the smallest area. That is best for the customer."

Mr Walker's task will be to persuade his colleagues, a minority of whom believe that the Government is about to unleash a dangerously powerful private-sector monopoly, that this minimalist approach is correct. The key issues under debate on the regulatory question are:

● What type of performance target should British Gas be given as the basis against which its tariff applications should be measured? The options appear to be a financial return target; some kind of productivity measure or, more likely, a mixture of the two.

● What type of formula should be used, at least initially, to set tariffs? The preference is to follow the British Telecom model of using an inflation-linked indicator, but there is concern that the inflation index chosen should closely reflect movements in world oil prices, which in turn dictate British Gas's supply costs.

Should regulation cover bulk industrial as well as domestic tariffs? British Gas is arguing that tight regulation is only relevant for the domestic sector.

● How rigid should the regulatory framework be? The predominant view at present is that it should be both simple and capable of amendment in the light of experience.

The Government, again following the Telecom model, does not intend to set out its plans for gas regulation in the privatisation bill itself, but to publish its intentions in the autumn, around the time the Bill is laid before parliament. The select committee, however, has asked for written evidence on the subject by September, which may force the pace slightly.

Also in the autumn, the Government expects to set out its thinking on a number of other areas critical to British Gas's future.

Those concern the future government role in the import of foreign gas, which Mr Walker believes in principle should remain under government control on strategic grounds. Earlier this year, he vetoed British Gas's plan to buy $30bn of gas from Norway's Sleipner field.

It is felt, however, that the Government's City advisers might bring pressure for more commercial freedom for British Gas in that area. The Government will also probably have to clarify its view on gas exports, which are at present effectively banned.

Another important issue to be resolved is the future of the gas levy, which is a special tax on British Gas applying to some of its lower-cost North Sea supplies. Mr Walker is thought to favour abolishing that tax, which raised £527m last year, on the ground that the City of London will not like the look of a company subject to special, penal rates of tax. The Treasury, however, has to be convinced that dropping the levy would result in an appropriate increase in British Gas's market value.

The shape of the privatisation Bill has also highlighted a number of difficulties including the extent to which competition should be fostered in the gas sector.

It seems most likely that the preferred approach will be to retain the existing option for competitors to use the British Gas pipeline system to serve industrial customers, but that tariffs for the pipeline will be monitored by the regulatory office.

The Bill is also expected to restrict the maximum size of shareholding in order to deter predatory moves by the big oil companies. British Gas itself is now working flat out to enable the Government to meet its privatisation timetable.

Sir Denis said that, post privatisation, the corporation might branch out in a number of ways, using its showrooms, for example, to sell kitchenware.

A firmer plan, Sir Denis indicated, concerned the oil sector, from which British Gas was forced to withdraw last year when Enterprise Oil was created. "I shall build up a new oil business," said Sir Denis.

The National Gas Consumers' Council plans to issue a paper on regulation later this week. In its present newsletter, the council says it will be examining tariffs, safety, competition, conservation, supply policy and the regulator's role in monitoring complaints.

The Association for the Conservation of Energy is also preparing a detailed statement on regulation. In its present newsletter, the association says British Gas should be obliged to obtain a "certificate of convenience and necessity" from the regulator when it wants to make a big investment. British Gas could then be obliged to examine energy-saving investment as an alternative to spending to increase gas supplies.

The association also wants price-setting and investment hearings to be conducted in public. The regulator, it says, should have similar powers to the House of Commons energy committee to order the presentation of documents and people.

Gencor in drive to recruit UK miners

BY GEORGE MILLING STANLEY

GENCOR, South Africa's second-largest mining group, has embarked on the most ambitious recruiting drive it has ever undertaken in the UK. The campaign includes advertisements in the popular press and visits by Gencor staff to all the coalfields in Britain.

The group, which has interests ranging from gold to platinum as well as coal, has two teams of interviewers in this country, and plans to recruit 400 qualified miners. The interest is mine supervisers, shotfirers and electricians under the age of 40, according to Mr Keith McQueen, executive deputy chairman of the group's UK arm and the man in charge of recruitment.

A number of British miners departed for jobs in South Africa during the recent year-long coal strike, attracted more by the lifestyle rather than the pay on offer, which is probably no great improvement on what is available in Britain.

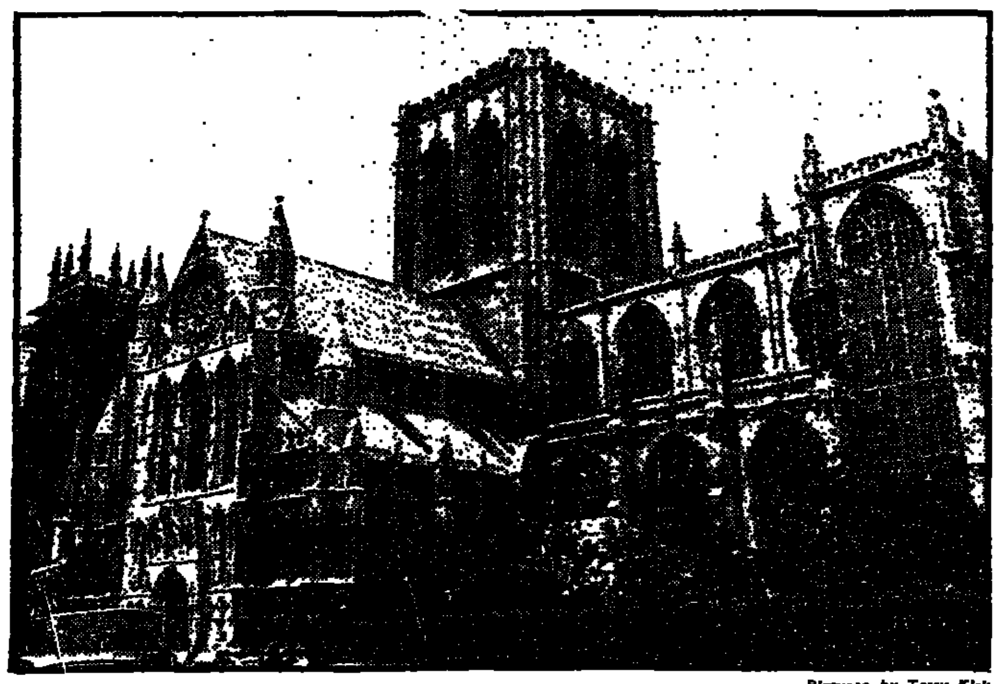
The present dissatisfaction among British miners at the continuation of the National Coal Board's programme of pit closures now that the strike is over is expected to make Gencor's task easier.

Mr McQueen said that Gencor had been recruiting in the UK since 1895, but he admitted that the group had been "beefing up" its efforts. That included placing advertisements in the Sun, Daily Mirror and Daily Express newspapers, backed up by a round of colliery visits.

Gencor stands virtually alone in stepping up its recruitment drive at the moment. All the other big South African mining finance houses maintain a London presence, and some of those offices carry out a certain amount of recruitment in addition to their main functions in marketing and acting as London secretaries to service UK shareholders.

There is, however, no evidence of any great increase in the recruiting efforts of the other groups.

FT REGIONAL REPORT



Pictures by Terry Kirk

York Minster, (before last year's fire ruined the south transept), is one of the world's largest Gothic cathedrals and a magnet for tourists

AROUND BRITAIN

YORK

The historic image of York to visitors belies its strong, if narrow, industrial base which the city is trying to broaden

The Shambles, the medieval "Street of Butchers," where bistros and souvenir shops are now beginning to take over

Sweet city selling something new

A DESIGNER-STYLE logo of the letter "Y" with the legend "Where History and Technology Meet" began to apear on promotional material for city of York last year. It was one of the tools chosen to highlight the creation of the North Yorkshire city's Economic Development Unit.

*Creation of the unit recog*nised that in spite of an unemployment rate of little more than 10 per cent, York's employment structure is inherently vulnerable because 30 per cent of jobs are provided by only five companies.

The city also has something new to sell. After a long period with little land available, up to 170 acres are emerging on the market for industrial and commercial development at the former Clifton Moor airfield, just outside York in the Ryedale local authority area.

York is a working city (30 per cent of its housing is council-owned). Yet its reputation as an attractive centre is well justified, with three miles of medieval walls, the magnificent minster, a web of medieval streets with half-timbered houses and some 30 tourist sites; the city is the biggest focus for foreign visitors in the north of England.

It is a taxi-orientated city where difficulties in parking and cross-city travel generate an enormous cycling population.

York has also preserved its still largely medieval, low-level skyline.

This attractiveness has bequeathed a unique image problem. People tend to think of York just as a tourist centre, rather than a city with big manufacturers and which could be suitable as a home for a variety of companies, town planners say. Yet only 8.5 per cent of jobs are in tourism.

The local economy is relatively low-paying, marked by a much larger percentage of working females than the national average. This partly reflects the influence of the confectionery industry (Rowntree Mackintosh, Terry's and Craven) and that of white collar employment, which includes the administrative offices of Yorkshire General (part of General Accident).

Outside the local authority, and British Rail's offices, four companies *dominate the jobs* market, accounting for more than 65 per cent of manufacturing jobs: Rowntree and Terry's,

British Rail Engineering (Brel) and the Shepherd Building group. A clutch of medium-sized producers account for most of the rest of the non-service sector.

Closure last year of the Redfearn glass plant, involving eventual loss of 900 jobs, was a reminder of this vulnerability. It helped to push unemployment from 7.8 per cent in the summer of 1983 to 10.2 per cent today.

The share of unemployment *among people under 20 has* risen to more than a third of the total from less than a fifth five years ago.

"The closure of Redfearn woke people up to the city's reliance on a few big employers and the need to broaden the base," says Mr Tony Bennett, head of the development unit.

Rowntree (which provides more than a third of manufacturing jobs) and Terry's have also been shedding labour through equipment modernisation and there are always long term worries about Brel.

"If employment came down by a tenth in all these big companies we have a real problem on our hands," Mr Bennett says.

The unit is working for the benefit not only of York and its 100,000 inhabitants but also for what might be termed greater York, which stretches three miles from the city and encompasses a further 50,000.

Reflecting this, the unit was set up not only by York City Council but also by North Yorkshire County Council and three local authorities — Selby, Ryedale and Harrogate — whose boundaries adjoin to the city.

Planners are hoping the unit, together with the Vale of York Small Business Association *(Visba) and the enterprise* trust expected to be set up this summer will operate from one office, as a single force for the city's businesses.

The city council can offer from its small pool of money up to 50 per cent of the cost of new equipment when job creation is involved.

No government-assisted area money is available but the city has other features to offer. One is the sheer life of the place, shown in the building of town houses at Aldwark within the city walls, Sainsbury's new store at Foss Bar and the Coppergate shopping and leisure development.

The university, providing a range of technical assistance to industry is another selling advantage.

Traffic congestion will also be relieved when the northern and western sections of the outer bypass are finished next year and the following year to complete the ring road.

*The Clifton Moor develop*ment provides space for industry and distribution but the city also hopes that its attractiveness and social characteristic of female workers will encourage the growth of administration services and companies in *high technology*, so far little developed in the city.

Nick Garnett

Diluting the big three

YORK'S employment structure, especially in manufacturing, is overwhelmingly dominated by a handful of companies making and trading in three principal sectors. This is a concentration the city would like to see diluted by new businesses.

York will become British Rail Engineering's fourth biggest site following the impending closure of the Swindon workshops. Employing 2,650, a figure scheduled to drop by 120 over two years, the York complex has escaped the deep cuts made by BREL in repair and manufacturing which have included the closure of Swindon, Durham, and Horwich, north of Manchester.

York is a multiple unit specialist and is building the class 150 sprinter, succesor to the diesel multiple units, and the 445 and 317 electrical multiple units for suburban routes.

British Rail itself employs more than 4,500 in York, the home of Eastern Region headquarters and the national Golden Rail holiday package operation.

The rest of the engineering sector includes a few medium-sized companies. Armstrong Patents, part of the Armstrong Equipment group, employs 750 making car suspension components, steering and engine dampers and exhaust systems.

York is the headquarters of Vickers Instruments, employing 350. The main products are scientific instruments including systems - based equipment for measuring such things as the fine lines on semi-conductor wafers, and microscope-based tools for measuring optical fibres. The company also makes gunsights and produces sighting systems for armoured vehicles.

The city has been a hub for confectionery makers for two centuries and is the home of two major companies, Rowntree Mackintosh and Terry's, as well as the smaller and more specialised Cravens.

Industry

Rowntree, one of the UK's top chocolate producers, has a workforce of 6,500 in the city but this has been falling steadily. It has just completed the UK's largest computerised warehouse at a cost of £7m and is installing a £16m KitKat plant to be commissioned next year.

Output from York, which is the company's biggest production site, includes 24m KitKats a week and 1m tubes of Polo mints a day as well as Aeros, Smarties and Black Magic.

Terry's, now part of United Biscuits, employs 1,200. Its products including Chocolate Orange and All Gold.

Craven employs a quarter *of this total* and, while having a sizeable investment programme in new equipment, uses traditional methods including the hot pans for its Original Sugared Almonds. It also makes own-label sweets for outlets like Marks & Spencer and Boots.

Shepherd, with a turnover of £130m, is one of the largest three privately-owned building groups in Britain. It spawned Portakabin in 1962 which, like its parent Shepherd, has its headquarters in York.

Shepherd employs half its 4,000 workforce in York, of which 670 work for Portakabin at Huntingdon just outside the city. The company describes this as the best facility in Europe for producing production line factory-made instant accommodation.

Aside from the standard jack-leg cabins, Portakabin manufactures a range of products using methods learnt in its mainstream business. These include the Kabmobile trailer units, building kits and YORKON permanent buildings using factory-engineered building techniques.

Ben Johnson, with 600 employees, is the biggest operation among a number of printing companies in York. It has spent £6.1m in equipment and building improvements in three years, including new printing presses two years ago.

Its output includes Yellow Pages, mail order catalogues, the Sunday Telegraph colour supplement and magazines like Options and House and Gardens.

N.G.

YORK 2

Riding high on chocolate boom

THE CITY OF YORK is *riding high on the* back of a UK chocolate boom.

The British have for long been among the most sweet-toothed in the world but in each of the last three years they have munched their way through record amounts of chocolate.

At York, one of the three largest confectionery manufacturing centres in the UK, Rowntree Mackintosh and Terry's have shared in the general growth in the market. They have also benefited by increasing their strengths in countlines (filled blocks of chocolate like Kit Kat, Aero and Chocolate Orange bars) which constitute the largest and fastest growing sector of chocolate.

Cravens, the city's third confectionery maker, has thrived despite being in a sector, sugar confectionery, which was declining until sales began to rise again last year. Later this year it plans to start making chocolate for the first time in its 180-year history.

All three companies are increasing their turnover and profits and, although improved machinery and productivity have led to a reduction in their combined workforce in recent years, job losses have been far fewer than in other manufacturing industries.

Together the three employ about 7,700 people in York, more than 9 per cent of the workforce within a six-mile radius of the city centre.

Rowntree Mackintosh, the product of a 1969 merger of Rowntree of York and Mackintosh of Halifax, will invest this year about £80m on improving building and equipment in its 23 operating companies around the world. Of this £14m has been earmarked for York.

Confectionery

Projects include what the company claims to be the largest automated warehouse in the UK, which cost £7m to build and opened earlier this year. A new £16.75m Kit Kat factory, designed to help boost sales from a record £24m in 1984, will open next year.

The 4,600 staff at the York confectionery plant are responsible for all the company's UK production of Kit Kats, Aeros, Polo Mints and Black Magic. Altogether, about 46 per cent of all Rowntree Mackintosh chocolate products sold in Britain are either wholly made or finished in York.

The company, which last year made worldwide trading profits of £94m on combined turnover of £1.16bn, also has its group headquarters in York. This and various divisional headquarters provide work for around 1,500.

Terry's, part of United Biscuits since 1982, is in the middle of a multimillion pound investment programme spread over five years, which it hopes will enable it to maintain its workforce at about 1,200.

The company, which has no manufacturing plants outside York, says it is enjoying the most successful period in its 200-year history. Turnover is expected to exceed £75m this year following volume sales growth of 3 per cent, 7 per cent and 15 per cent in the last three years.

Terry's says the advances are in part due to innovations in packaging and advertising and to the development of new products. These include two countlines — Chocolate Orange Bar, a variation of the 50 year old Chocolate Orange, and Bitz—which together are estimated to be heading for sales this year of £15m.

Cravens has spent about £350,000 this year preparing for its launch in October into chocolate manufacturing. This takes total investment in the plant over three years to £750,000, all of which has been generated from the profits of the privately owned company.

Cravens has had a chequered career, with its workforce ranging from 800 in 1908 to just 70 in the 1930s, but it is now expanding its premises for the fifth time since moving to its Candytown factory on the outskirts of York in 1967.

The staff of 380, which expands by 100 in peak production periods before Christmas and Easter, produces around 5,800 tonnes of confectionery a year, 20 per cent of which are manufactured for companies such as Marks and Spencer, Selfridges and British Home Stores to sell under their own brand labels.

Mike Smith

Rowntree Mackintosh employs 6,500 people at its headquarters in York and is spending £16m on a KitKat chocolate bar plant

Focal point for North

AMBLING THROUGH York's network of winding medieval streets with their half-timbered houses it is not difficult to see why the city is the biggest focus for overseas visitors in the North of England.

With three miles of medieval walls and their four great Bars, 17 pre-reformation churches, the largest Gothic cathedral north of the Alps and more than 20 museums, historic buildings and purpose-built attractions within the walled *area, York almost certainly* banks in Britain's top 10 centres for leisure spending.

For York this amounts to £44m a year. In the decade to 1984, the number of day and overnight visitors keen to sample the mix of Roman, Viking, medieval and Georgian characteristics in a city that has been both a great trading centre and a major religious stronghold, more than doubled to 2.6m.

Tourism, however, is not as big a contributor to the local economy as occasional visitors might think. Though officials put the total number of tourist-related jobs in York at 7,000, studies by Dr Richard Barnett of the University of York's Department of Economics and Related Studies and by the city council put the figure at about 4,600.

While leisure spending is high, total spending on tourism, including business and conferences is little more than that of Leeds. To put it in perspective, visitors to Blackpool probably spend twice as much.

A problem for York's tourist industry is that the average length of stay for overnight visitors at three days is relatively short. Conference business is also quite small.

York has 170 approved hotels and guest houses and Crest is now building a new one but the town would benefit from more *higher grade hotels. The volume* of day trippers can result in a form of "people pollution" during the summer which tends to generate an anti-tourist feeling among some local citizens though this does not manifest itself in an overt way.

The Chamber of Commerce and Trade is in discussions at the moment with the city council to improve performance in tourism with some chamber members looking for ways to spread the tourist "season" though this already tends to be longer in York than for some other comparable centres.

Nevertheless, York remains a gem of a place to visit and the tourists who come here are characterised by an eagerness to return having failed to see as much as they wanted on their initial trips. Its tourist profile is very similar to that of Bath *or Edinburgh with one-third of* the visitors who stay overnight coming from abroad. It also has broad appeal for different nationalities and age groups.

Tourism

This has been underlined by recent expenditure, including that devoted to the Jorvik Viking centre in which visitors travel by "time car" through the sights, smells (both nice and disgusting) and the sounds of Viking York and which notched up almost 1m visitors in its first year of operation. The Friargate wax museum and the Georgian Fairfax House were both opened to the public last year.

York provides a few "participatory" attractions, including boat trips along the river Ouse as far as Bishopthorpe Palace (home of the Archbishop of York), guided so-called "ghost walks" through the city and regular meetings at the racecourse. The Mystery Plays, medieval religious plays originally performed by the city's ancient craft guilds and dating from 1340, come round every four years.

The strength of York's tourist industry rests on the array of buildings and remains bequeathed by a long and varied history stretching back to when *the Romans set up their fortress* settlement Eboracum in AD 71. The tale is told in the York story picture and slide show.

The historic spread of buildings stretches from the 13th century York Minster which attracts over 2m visitors a year and under which, in the Undercroft the remains of the Roman principia building and others can be seen, to the national railway museum.

The latter, reflecting York's long association with railways that began with George Hudson the local 19th century rail baron is Britain's largest collection of railway engines and rolling *stock. The museum houses* some of the royal coaches, Queen Victoria's Saloon among them.

Much of the walking in the city is done along streets grafter onto the original Roman street plan. The two main Roman streets—Via Praetoria and Via Principalis—are now the picturesque Stonegate and Petergate, the Vikings bequeathing the suffix "gate" (street).

Other notable streets are Castlegate, Goodramgate, Whip-ma-Whop-ma-Gate and Peckett's Yard. The most famous and best preserved medieval street is the Shambles, once called Fleshammels meaning the street of butchers. Bistros have begun to make their rather tasteful appearance in the Shambles but the keen visitor might spot the open door into the house (and now chapel) of Margaret Clitheroe, killed in 1586 for hiding Jesuit priests.

The flavour of walking around York is further spiced for those who take the trouble to read its social history—the lives of the Romans and Vikings, the medieval persecution of Jews and the hanging of Dick Turpin in the city which was the birthplace of Guy Fawkes.

Among York's historic buildings, the most notable include Clifford's Tower, built in the 13th century on the same site as a wooden fortress constructed by William the Conqueror but burnt down in the anti-Jewish riots in 1190 when 150 Jews were slaughtered. Others are the Georgian assembly rooms, the Merchant Adventurers' and Merchant Taylors halls and St William's College.

The castle museum incorporates some fascinating re-creations of rooms and streets, including the Victorian Kirkgate, and the Yorkshire Museum of Archaelogical and Geological Artefacts benefits from a lovely setting in the grounds of the ruined St Mary's Abbey.

Nick Garnett

Action after a slow start

YORK was slow to start in the race to attract and set up companies based on new technology. It is now moving to make amends.

A recent report commissioned by the city council identified 46 companies within a six mile radius of the centre of York whose main business is in computing, electronics, biotechnology or related fields.

But of these, said industrial consultants Business Environments of Warrington, nearly half employed five people or less and 29 had a staff of less than 15.

York's early inactivity on new technology stems in part from its successes in other industries. Job creation was less important to it than other cities because unemployment was soaked up by its dominant employers and by the growth of tourism.

Tourism has also acted as a *brake on industrial development* in the past because of a feeling that large scale growth was incompatible with preserving the character of the city.

Mr Tony Bennett, head of the York Area Development Unit, *says there is a new mood in the* city. "York has woken up to new technology," he says. "We realise we cannot sit back and let things happen. We are sending out the message that land is available, we can help *companies financially* and we will react quickly to their needs.

Among the city's plans for broadening its industrial base is the establishment of a technology centre at a 55-acre employment park which will form part of a 170 acre Clifton industrial development scheme. The centre is intended to act as a focal point for and provide services to innovative companies which the city hopes to attract to the site.

Within the next two months the city will launch an enterprise trust whose primary functions will be to provide counselling for businesses and

New Technology

administer an investment fund of at least £200,000 annually to assist the expansion and creation of companies. From the autumn the trust will be housed together with the Economic Development Unit and the Vale of York Small Business Association in a one-stop business centre which will also have conference facilities and exhibition areas to highlight business opportunities in the area.

Attempts to increase the skills of the city's forkforce include the establishment last year of an Information Technology Centre where 16- to 17-year-olds are taught electronics, computing and office technology.

In another educational initiative, the city last week launched a training and employment grant to complement grants already existing for equipment, rates relief and expansion of premises. Under the scheme employers will *receive 50 per cent of a new* employee's first year wages in exchange for releasing him or her for day or block release training courses. So far the scheme involves only 25 youngsters but the city is hoping for *EEC funds to expand it next* year.

York will also benefit from the creation earlier this year of Yortek, an association of high technology companies throughout North Yorkshire which aims to market the county's leading edge products, recruit scarce skilled staff and set up a training and education programme to develop talents locally.

Yortek recently announced a £130,000 research study to investigate how college training of new technology skills can be improved to match the needs of the industry.

At the University of York discussions are being held with neighbouring local authorities for the creation of a 13-acre science park to capitalise on the university's strengths in electronics, computing and biotechnology.

The park, which both the city council and the university hope will be established next year, would aim to provide premises both for spin-outs from university departments and for local companies which could benefit from the availability of the university's research facilities.

Of the 46 high technology companies in York, 16 are in computing, 11 in electronics and 12 in biotechnology and health care with the rest in a variety of sectors.

The high technology companies' potential is demonstrated by their expansion plans. Business Environments found that 15 were considering taking on extra staff and 14 were either moving or were considering a move to larger premises.

M.S.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

U.S. steelmaking

A new star appears in Bethlehem

Terry Dodsworth on a managerial revolution in a traditional industry.

THE JOHNSTOWN plant of the Bethlehem Steel Corporation is an unlikely setting for a managerial revolution. Tucked away in the green hills of Western Pennsylvania, the rusty 12-mile-long steelworks appears to be slipping into oblivion, as worn out as the iron mines which first brought industry to the valley. Yet it is here that Bethlehem has chosen to launch its first radical response to the challeges facing traditional U.S. steelmaking.

Last March, the company signed a new equity and profit-sharing contract with the United Steel Workers' Union (USW) after a gruelling six-month process of discussion and negotiation. The agreement will slash cash incomes by almost a quarter, reduce jobs by around 25 per cent to 2,200, and push through greater working flexibility on the shopfloor—a list of policies which have all been bitterly opposed by the tightly-organised steelworkers in the past.

But the plan is much more than a simple exercise in cost cutting. If it works properly, it will turn the group's bar, rod and wire division into an independently-run unit where the workforce will be more involved in both operations and the performance of the plant.

For a company like Bethelehem, long the second largest of the big U.S. steel groups, this is a dramatic break with the past. In their hey-day, the American steel-making leviathans were models of integrated systems, dedicated to the economies of large-scale production, and controlled by large, head office bureaucracies. Plants such as Johnstown had *local union agreements, but the* main contracts were negotiated centrally, and they worked to targets closely controlled by corporate headquarters.

A few years ago, Bethlehem began to shift gingerly away from these systems towards one that emphasised the importance of the individual operating unit and gave more responsibility to local management.

The new Johnstown structure is the most clear-cut example of this new direction. Bethlehem has given Johnstown the responsibility for running the

Ted Leja: introduced profit sharing

bar, rod and wire division as a separate, and largely independent, business unit. This segment of the business comprises two three-year-old electric arc furnaces, with a capacity of about 1.2m tons of steel a year, and an 11-in rolling mill in Johnstown itself, along with an up-to-date 13-in mill in Lackawanna, 200 miles away in New York State.

In many respects, the operation that has emerged from this reorganisation is reminiscent of the mini-mills that have been such a thorn in the side of the integrated producers over the last 10 years—and, indeed, a new general manager from the mini-mill sector, Ted Leja, has been brought in to head the operation.

The motive for this new approach is obvious enough. Over the past decade, as the big U.S. steel companies have shrunk and begun to run up massive losses, the minis have been making profits and capturing markets. The Johnstown division is larger than the average mini, and makes somewhat more sophisticated products — special sections and shapes for products like lawn mower blades, pipe flanges and brake shoes — but its structure, with its own scrap melting and rolling facilties, made it an entirely plausible candidate for the new management methods.

It was also making such whopping losses that the union was willing to consider changes as a condition of survival. In the previous 10 years, employees had seen the payroll progressively trimmed from well over 12,000, as Bethlehem rapidly ran down the operations in the valley, cutting out both the coke ovens and the blast furnaces from what had once been a fully integrated plant.

"In 1974 we lost $72m, about 60 per cent of the corporation's losses," says Bill Shingler, one of the union negotiators. "They didn't know what to do."

The main points of the sur*vival plan that has finally been* negotiated by Leja include the following:

● Changes in the wages system have trimmed around $3 off hourly cash earnings, bringing them down to around $10.50 (or an estimated $20 including benefits), in return for newly-created preference stock. The stock, which carries a $25 face value, will not be traded and can only be collected on retirement, but dividends are theoretically payable on it.

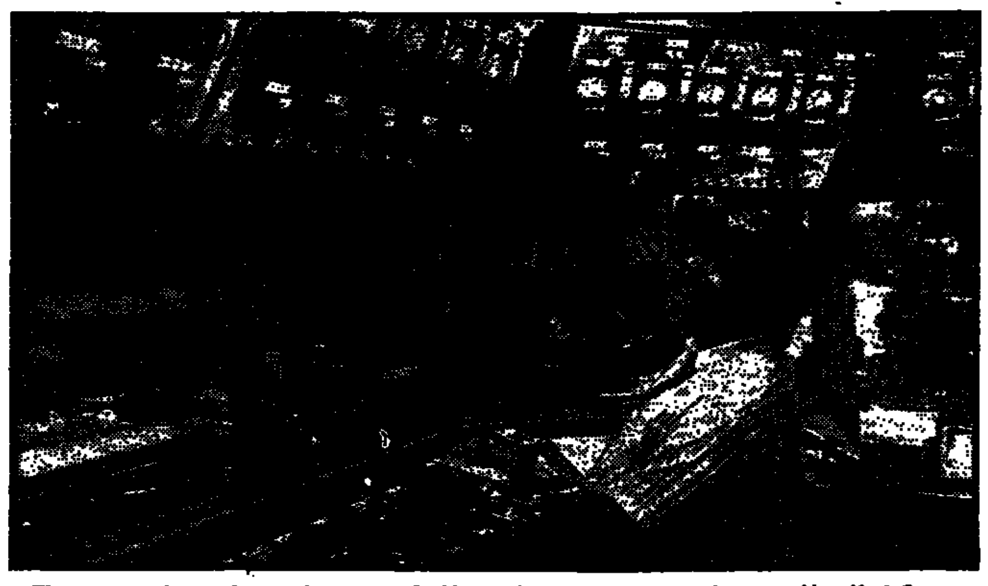
In addition, the new contract provides for profit-sharing above a specific trigger point of profitability in the bar, rod and wire division.

"We used to have an incentive programme that was based on tons under the traditional steel agreements," says the French-born and nattily dressed Leja. "By introducing profit sharing, we have installed a system that is driven by efficiencies and quality."

● Much more flexible working methods are being introduced, following the pattern in the non-unionised mini-mills, where the rigid demarcation rules normally applied in USW plants have been largely abandoned. Capacity has been maintained at roughly the same level as before, despite the sharp reduction in jobs.

"Instead of waiting an hour for someone to come and wrench a bolt, the operator does it himself now," says Shingler.

● Leja has embarked on a big communications programme. Part of the process of selling the restructuring deal to the Johnstown workers was to organise plant visits to show them directly what was happening in the mini-mills, while also bringing them face to face with customers.



The main monitor and control centre of Bethlehem Steel's bar mill at Lackawanna, New York State.

"I came to the conclusion that the mini-mills had less fat and fewer people," says Shingler.

These initiatives have been linked to a drive to create more shopfloor awareness of the industry through newsletters, video cassette programmes and joint labour management participation teams. More than 20 teams have been created in the plant with the aim of improving working conditions and methods.

At the same time, a highly participative approach was adopted to push through the restructuring. The Johnstown management started out by asking for cost reductions in the region of $50m a year. The union took the main responsibility for finding these savings, first by looking for areas where jobs could be cut, and later through negotiating the reductions in the remuneration package.

At an early stage, Leja addressed the whole workforce to explain Johnstown's problems. Later on, the company opened up its books to union accountants to show just how badly Johnstown was faring—an unheard of event in the *steel industry.*

"If it had been some of the other big steel companies around it would not have happened," says Ken Shorts, sub-regional director for the USW. "The initiative to persuade the people and the workforce that something had to be done, had to come from the company, and they did a beautiful job."

● Johnstown is now beginning to run much more like an independent business. Although it is still in loss, and its investment programme is being fully supported by Bethlehem, there is a clear understanding that its own ability to make profits and generate cash are a vital element in maintaining the expenditure that will keep it competitive.

As part of this new, independent style, Leja is aiming to establish his own sales force. Salesmen will be hived off from the Bethlehem group offices around the country to work exclusively for the bar, rod and wire division.

It would be difficult to devise a more radical formula for change in the bar, rod and wire operations than the one encompassed in these four points. Johnstown is a town of strong traditions, handed down by the tight-knit immigrant communities whose influence is evident in the onion cupolas of the Greek Orthodox church and th local copy of the campanile tower of Saint Mark's Square in Venice.

Industrially, the workforce has been bred in the same sense of tradition. For years the steelworks have been regarded as a way of life, and the conventional method of running them, with the union in one corner and the management in *another, is the way most* people wanted to keep it.

The legacy of this inheritance still lies heavily over the company. It is clearly difficult for many of the workers at Johnstown to accept that the old certainties have changed for good. Many of them, indeed, fought bitterly against the concessions: "Some of our members wanted to close down the plant as we would have done in the past, rather than give way," says Fran Audi, the leading shopfloor negotiator.

Leja now faces the formidable task of rebuilding morale among the workforce while adapting it to the new methods. There is no doubt that a great deal of suspicion remains. Many of the workers, for example, doubt that the preferred stock means anything more than the paper it is written on.

Since Bethlehem has no requirement to redeem it until retirement age, it is widely seen as a sophisticated device to bring about immediate salary cuts in return for a very vague future comitmment

There is also concern that management is not going fast enough to rebuild its market, or investing sufficiently in new plant, particularly in a continuous caster, which virtually everyone is advocating. One of the inherited problems of Johnstown, according to Audi, was injudicious price increases that seriously damaged the plant's market in 1983. Part of the rationale of the new deal, he argues, is to get wages down so that the pricing of the product becomes more competitive.

"All the company has to do now is to get us the volume that we negotiated for through *the give backs," he says.* "I they produce the volume, we can make profits again and become more competitive through modernisation."

This virtuous circle of profitability, new investment and expansion is precisely the message which Leja has been working on for the last six months. It is a tantalising prospect — and it is also one which will not be easy to realise. But the fact that Bethlehem is trying says a great deal about U.S. industry's capacity to adapt, and to adapt very quickly.

PLEASED with the success of its price-cutting promotion o the Mercedes 190E in the UK and notably at Heathrow airport in recent weeks Budget Rent A Car is extending the scheme. In 10 European countries Budget is now running similar programmes, eight ot hem with the Mercedes. Finland is offering special rates on the Volvo 700 and Denmark the BMW 518.

●

CLAIMING to be "greatly encouraged" thetraffic on its *new Gatwick-New York route* British Caledonian is to introduce a Boeing 747 Combi service to replace the present DC-10-30. The Boeing will carry 21 first class, 36 super executive and 192 economy seats as well as 40 tonnes o reight.

●

Regent International Hotels is spreading its wings in Europe. It has acquired and will manage the Hotel Breidenbacher Hof in Dusseldorf. Regent is a fast growing Hong Kong-based, largely U.S.-financed hotel chain which operates the Dorchester in London. Its flagship is the Regent in Hong Kong.

●

The latest claimant to be "one of the premier properties for the travelling executive" in the U.S. capital, Washington, is the Westin. It formally opens its doors in October of this year. It stands on the edge of Rock Creek Park and claims to have the largest standard guest rooms in the city.

●

VISITORS to Hong Kong are now being offered the key for a day to one of the colony's exclusive clubs. Leisure facilities in clubs are difficult to find in Hong Kong, and for most clubs there is a long waiting list. Now the Clearwater Bay Club, which is managed by a Grand Metropolitan subsidiary, is offering visitor-day entrances. For HK$190 visitors are collected from points in Kowloon and Hong Kong Island and taken to the club which has indoor and outdoor tennis courts, a swimming pool, badminton and squash courts as well as a gold course. Lunch is included but there are charges for some of the sporting activities. Bookings can be made through the Hong Kong Tourist Association and can only be made by non-Hong Kong residents.

●

BRAZIL'S Horsa hotel group has strengthened its pitch for European ...conference ...and incentive business with the appointment of South-American Travel as general sales agents in the UK. Seven Horsa hotels, including the National in Rio and the Excelsior in Sao Paulo, are now available by direct booking to South American Travel's London office.

●

A RANGE of free add-ons for business and first-class passengers is being offered by Continental Airlines on its route ...from ...London ...to Houston. First (Gold) Class passengers will be offered two nights free in a range of hotels and a free 48-hour rental of a midsize car from Budget. Business (Silver) Class customers get one night and 24-hour car rental.

●

BRITISH Airways has linked with Allport Travel and Fishley Sebley Associates to produce a business travel package for China. Under the banner Your Bridge to China the £1,470 package offers a Super Club flight to Beijing and seven nights in the Great Wall Sheraton. The first class price is £2,999.

●

TAP Air Portugal is to introduce business class service on its flights from London to Madeira. Navigator Class customers will have separate check-in, a longer seat pitch, in-cabin hanging space and a bigger baggage allowance as well as improved cabin service.

●

THE British Airports Authority says it is examining the problem of selling newspapers at Heathrow's Terminal Three. At present passengers arriving on international flights wanting to buy that morning's paper have to battle twice through massed greeting parties to reach the newsagent. However, Los Angeles airport caters even less well for its at the new Bradley international terminal can only buy a map of the city from the departure lounge.

Arthur Sandles

Architecture/Colin Amery

First trade fair of brave new salesmen

It has been three years since architects were allowed to advertise, do their own public relations and generally act like salesmen. Since competitive tendring has also been possible, the very nature of their professional status has been transformed. It was inevitable that the next thing would be a trade fair where the whole range of architectural services could be on show, in an atmosphere of *competition*. For three days last week, in the Barbican Centre's dreary exhibition halls, the first trade fair of British architect was held under the title of ARCHITEX '85.

It was opened by the property developer Mr Peter Palumbo who made a speech testing the water for the anticipated White Paper for the speeding up of planning procedures. He had some interesting ideas. One was that a new body should be created "to act as a guardian of architecture and give it special exemptions from planning control. Developers genuinely interested in innovation or architectural excellence would seek the shelter of this body, which would negotiate and advise as necessary."

What is he after? Some form of ultra high-powered Royal Fine Art Commission that would somehow manage to give completely impartial advice, acknowledge excellence in design and never be corrupted by political or development pressures? This is asking a great deal from anyone and it is doubtful whether such a paragon of austere dedication exists or indeed whether any more committees of taste are needed.

I feel that Mr Palumbo would like to see town planning revert to its traditional preoccupations—a concern for health, safety and sewers—leaving aesthetic matters to some elevated court of divine perfection.

He made another proposal designed to stimulate the development industry—that all buildings over 60 years old should be subject to a death sentence and be automatically demolished unless some dispensation was made in the public interest. This bizarre notion should be treated with the contempt it deserves. All it reveals is a devotion to the throw-away society.

The exhibition soon recovered from this muddled polemic and was a success in several ways. It showed that architects are coming to terms, however reluctantly, with the need to promote themselves. Some of the younger firms did so with considerable panache: McColls Architects, John Simpson and Partners, Yakely Associates, Blissett MacDonald Associates, D'Arcy Race, Omrania — all showed work of considerable flair and had designed effective stands.

The general picture, however, was not so encouraging. If this first Barbican architectural show represents the average level of British practice then it is a confusing and muddled mixed bag. It was significant that the Royal Institute of British Architects was only prominent by its absence. A perfect opportunity for its clients' advisory service to mount a stand was missed. It was revealing to see how much work is being done abroad by British firms and how the oil boom has been supporting much of British commercial practice.

Omrania were showing one of the most fascinating complexes to be built in the Middle East, the diplomatic club in Riyadh. This is to be completed later this year, a magnificent walled enclave that looks like the great fortress at Aleppo. Inside, the diplomats learn how to defend themselves by swimming and sipping lime juice in the oasis. The tops of the encircling walls are a breezy walkway with views into the lush and watered interior of the club's garden. Tent-like structures are stretched from the walls to resemble the Bedouin settlements that attach themselves to the walls of old desert towns. It will undoubtedly become one of the sights of Saudi Arabia.

Another example of a British terests in the Middle East is practice with large scale in- *Cassidy Architecture and Planning* which is designing, with other specialist consultants under the umbrella of a local Kuwaiti consortium, the $260m Islamic Conference Centre to be completed by August 1986. It is by any standards a massive complex which has to include accommodation for 46 heads of state and their entourages in 108 luxury apartments

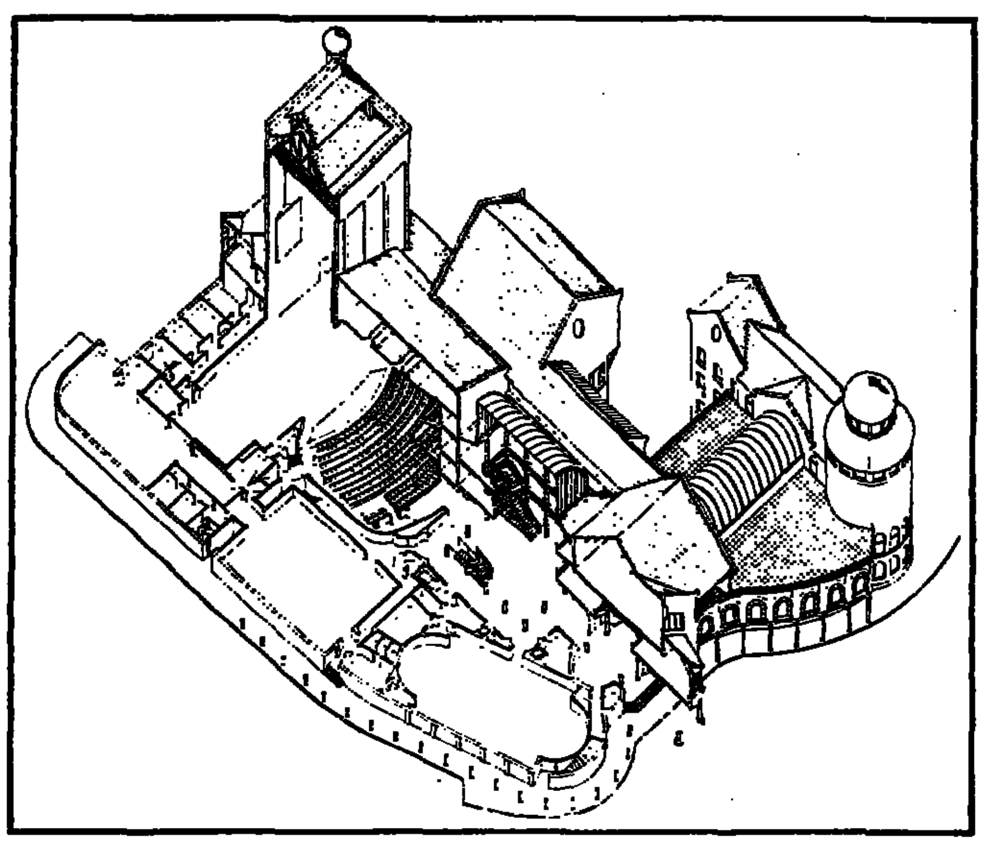
Eighty per cent of the tender drawings for this project were produced by computer and there was a great deal of talking about "fast-track" construction management around this firm's stand.

Let no one tell you that architects are starving for lack of work. Building Design Partnership (BDP) currently has over £1bn worth of construction work on its drawing boards. It has some 15 retail and town centre developments in the UK alone. BDP's remarkable success comes about as a result of the service it offers that merges *all the professions concerned* with building and design under one roof. The integrated practice has a clear and direct benefit for the client.

"Design for Building" is a new company that has grown under *the wing of the distinguished* practice of Denys Lasdun Redhouse and Softley to provide a service that is specifically geared to the smaller project. This is an interesting development that should attract clients who need architectural help at the domestic or small business level.

I was glad to see the work of Roderick Ham and Partners, one of the best of the British theatre architects and clearly branching out. The design for *the projected arts centre at* Harrow is interesting, intricate and intelligent in its planning for a variety of uses from public library to theatre.

There is a danger in these sorts of shows that one firm of *architect's drawings will often* begin to look like anothers and then the risk of mad novelty for the wrong reasons takes over. As a shop window it was patchy, but it was a refreshing change from shows that are officially sponsored by the RIBA, and it demonstrated that competition — in public — is no bad thing.



Cutaway of the proposals by Roderick Ham and Partners for an arts centre for the London Borough of Harrow.

Schubertiade/Hohenems, Austria

Rodney Milnes

Few composers get or indeed deserve a festival devoted exclusively to their own music. Wagner, of course, but then purely physically his works leave no time for anything else, but there is more than Mozart at Salzburg, more than Britten at Aldeburgh. There is more than Schubert at Hohenems—Schumann, Mahler, Wolf, even some Brahms — just a little but quite enough to put his genius in a perspective that is not altogether flattering to the competition.

Schumann's remarks about the "maidenly" and the "masculine" in Schubert's piano trios rebound forcefully when the former's songs are heard after generous doses of the latter's, and it becomes plain that Schubert wrote most of Mahler's songs long before Mahler did and—don't quote me—anticipated some of his heavenly longueurs. No, that is not true: Schubert worked on a different time-scale, as different as Bruckner's, *from that of ordinary* mortals, and the lesson learned from a week's concentrated Schubertiana is that had all his works been known at his death, then no other Germanic composer would have dared, or needed, to write another bar of music for the rest of the century. His imagination in matters of form, harmony and melos leapt forward over the decades.

Such hyperbole is the near-inevitable result of a week at Hohenems — now in its 10th year — where, in the hall or courtyard of an unpretentious little renaissance palace in the Vorarlberg, chamber music and songs are heard in ideal surroundings. The hall holds 300, the courtyard a handful more: *there is an air of intimacy, of* immediacy of communication that harks back to the burgeoning new bourgeois audience for whom Schubert was writing — though many of the Hohenems visitors would not care to be so described. Nevertheless, a near-family atmosphere prevails, united in common (again, scarcely the *mot juste*) cause.

There was much music-making of the highest order in the middle week of this year's exceptionally well planned 12-day programme, some of it revelatory. The Hagan Quartet, for instance, has not (I think) been heard in Britain though it has been praised in these pages by Dominic Gill. The combined ages of the players look to be little more than 60, yet with the aid of Mischa Maisky they brought to the C-major Quintet a shattering maturity of vision and a unanimity of purpose confirmed by the way that they looked at each other far more than at the music. I have sel*dom heard quartet-playing of* such technical perfection, and never, in this work, so furious an articulation of resentment at the limitations of the human condition.

Equally impressive though less unsettling were the B-flat Piano Trio and the Trout played by Wolfgang Sawallisch and members of the Brandis Quartet. Across the normally impassive features of the director of the Bavarian State Opera there flitted a smile of the pure *pleasure that is so essential a* part of the less tormented Schubert (if there be such a person) and his brisk, no-nonsense playing kept works that can meander purposeful and properly impulsive. The opening movement of the Trout, for once, was a genuine *allegro vivace*, not the usual *allegretto affettuoso*, and the gain was immeasurable.

And what pleasure, too, to hear Sabine Meyer, the clarinettist known here maainly *as the innocent object of a cause célèbre* between Karajan and the Berlin Philharmonic. She is a quite outstanding musician, heard here with Elly Ameling in "The Shepherd on the Rock" and as a dominating presence in a performance of the Octet that also boasted the young Manuel Fischer-Dieskau on cello and the horn player Radovan Vlatkovic, both very fine indeed.

On the song front the names of Janet Baker, Elly Ameling, Peter Schreier and Dietrich Fischer-Dieskau bear witness to the general standard of the Schubertiade. That there are problems with Dieskau (performing in a large and unlovely hal down the road in Feldkirch) at this stage of his career cannot be denied. The less reliable his voice (his singing of the Schumann *Liederkreis* was frankly dreadful) the more he resorts to interpretation; this is not just a matter of the "off-the-note" colouring of certain words and the overstated sforzandos and subito pianos, but of his "acting" each song, including the postlude, as though it were a little opera. To sterner Anglo-Saxon souls this is simply embarrassing, *but his German-speaking* audiences plainly love it.

The contrast with Miss Ameling, who sings like an angel and does precisely nothing, or with Mr Schreier, whose superb "Winterreise" was compromised only by a brand-new "authentic" fortepiano and whose sparing gestures are motivated solely by musical feeling, could not be more marked. Or indeed with Dame Janet, whose occasionally half-*raised left arm is almost as ex*pressive as her voice. She was at her very best in a rather harrowing programme of the darker songs, and whereas with Dieskau one was conscious of listening tothe Greatest Lieder Singer of the Age, Dame Janet was the medium through whom one human being was speaking directly to others across the chasm of decades past. Seldom has the art that conceals art been so cogently employed.

Ma and Stott/Elizabeth Hall

Max Loppert

At Friday's recital — one of the closing episodes of the Previn Music Festival — Yo Yo Ma and Kathryn Stott introduced to London their newly formed cello-and-piano partnership. For the occasion, they had meticulously prepared an attractive programme — to attend a concert in which chamber music genuinely deserves the name, and of which the execution is throughout so finely considered and balanced, is perhaps a rarer event in London than one likes to imagine.

All the same, it is a partnership that on this first showing must be deemed highly promising rather than fully successful. *Mr Ma is a cellist of exquisite* refinement and musical sensibility, with the protean technique that supports his every fancy; but in the earlier part of the evening it seemed that ideally he requires a piano partner of sterner cast to steer his delicate nuances well clear of the charge of affectation.

Miss Stott is not such a pianist: she cultivates a soft, rounded style, and a downy touch. The opening work, Beethoven's "Bei männern" variations, was a string of *pearls on a very light* rhythmic thread — too light to catch the charm of the invention. The Schubert Arpeggione Sonata, similarly given, becomes rather trying.

In between, the cellist *showed, in George Crumb's* early (1955), Spanish-accented, and most skilfully confected solo sonata, that alone he is capable of stronger stuff when urged to be. And in the second half, both players were put more consistently on their mettle by Mr Ma's own transcription of the Brahms D minor Violin Sonata, Op. 108. It is a brave idea that cannot wholly be brought off, for the cello reduces by an octave the special melancholy-romantic character *of the high-lying violin phrases* (this was most noticeable in the third movement). But it was delivered with commitment, excitement, and even exuberance—thus finally exhibiting the qualities of the partnership *at their most complete.*

Previn/Festival Hall

Richard Fairman

With this Saturday concert—the final programme in the André Previn music festival, also repeated on Sunday evening—the *Royal Philharmonic* Orchestra set the seal on a special relationship with their new music director. In two weeks Previn has directed eight concerts and been soloist, accompanist and composer. He must enjoy the hard work: dates are already booked for another festival at the same time next year.

The main work in the programme was Brahms' *German Requiem.* This is a piece Previn used to schedule in his days with the LSO and it would be interesting to know how he finds his new orchestra compares. For sound quality, at least, one suspects he has profited by the exchange: the RPO strings opened "Selig sind" with an ideal warmth and homogeneity of texture, qualities that were to serve Brahms well for the rest of the evening.

In the hands of a Furtwängler this Requiem can seem grand and portentous. But Previn's way with the music keeps the pulse flowing more easily, allowing chorus and soloists to shape Brahms' generously long phrases with ample breath. Tempi were sensibly chosen: "Denn alles *Fleisch*" kept *moving forward (though others* have made the strings' march-like dotted *rhythms* more sinister) and the last trumpet chorus was steady, not frenetic.

In Thomas Allen he has also found a baritone well suited to the work. Though the first of his two solos lacked presence, *Allen sounds at home in the* vocal range of both and the second was vitally, movingly communicated. One might have hoped the same of the soprano Lucia Popp, but she looked—and certainly sounded—as if she *was feeling the heat.* Her *solo* was hard work with a lot of flat singing. The Brighton Festival Chorus was well rehearsed but is in need of more tenors.

In the first half Previn had joined a chamber-sized RPO as soloist and conductor in Mozart's Piano Concerto No. 17 in G. Television cameras were recording this work for the BBC and there was evidence of thorough preparation on the part of the orchestra with well-defined *rhythms* from the strings and first-rate solos from the woodwind. Previn's contribution was relaxed and lyrical, an equal partner in music-making, as the RPO no doubt trust he will be for them in the *future.*

Cheapside/Croydon Warehouse

Michael Coveney

Since its grant was axed by the Arts Council woodmen, the Croydon Warehouse has supplied the West End with *Figaro* and improved its amenities (pleasant new bar and staircase) thanks to increased support from the GLC and Croydon Council. Survival now depends on commercial sponsorship and, once the GLC has gone, continued local favour.

The Warehouse deserves to flourish: it is handy for central London yet attractive to local audiences less than struck on what the Fairfield Halls have to offer round the corner. And the audittorium has a genuine atmosphere under its splendid roof of beams and rafters, an asset ideal for David Allen's play about Robert Greene, Marlowe and Shakespeare in the London stews of 1592. Michael Pavelka's design includes a hint of Holler engraving in the skyline, with atmospherically lit platforms representing the Rose Theatre, Greene's squalid lodgings, Newgate and Tyburn, an a hostelry where the pipe-smoking Mary Frith *(Middleton's roaring girl* Moll Cutpurse) is discovered throwing darts and unravelling the activities of the Walsingham spy ring.

Mr Allen really takes on almost too much in this area rich with imaginative possibilities. His central figure is Greene, the disillusioned and dissolute pamphleteer first seen railing against the upstart crow from Stratford who is heard conducting offstage rehearsals of *Henry VI* with Lord Strange's Men.

It was the success of that "documentary crap" as Greene, the John Osborne of Elizabethan Cheapside, here terms it that finished him off as a playwright. Marlowe breezes on to be met with a flurry of anachronistis abuse and a speech about the dangers of collaboration. Greene had taken a line from *Henry VI* to warn his contemporaries of the "tiger's heart wrapped in a player's hide" in his *Groatsworth of Wit.* Mr Allen elaborates upon Greene's gnawing jealousy with lyrical echoes of his one reasonably successful play, *Friar Bacon and Friar Bungay* (Prince Edward's speeches in praise of the fair maid of Fressingfield).

James Bolam paints a fine inconsolable portrait of the university-educated saddler's son from Norwich, drinking his last days away while the sun rises over the career of the simple, unassuming Stratford jobbing actor. With the Spanish spy plot thrown in and Greene himself succumbing to write "seditious rubbish" about the Dutch while failing to support his wife and estate in Norfolk, we have here a sort of weak brew mix of Shaffer's *Amadeus* and Bond's *Bingo.*

Mr Allen's historical distortions are few and telling: Marlowe's death comes forward a year; Greene's notorious low-life associate Cutting Ball is vigorously transformed by Jeffery Kissoon into a lip-smacking reveller in theatrical excesses which include his own hanging at Tyburn; Ball's sister Alice becomes his half-sister because of his own colonial origins.

Ted Craig's distinguished cast also includes Susan Tracy as the trio of Greene's wife, his mistress and Mary Firth, and John Moreno doubling as an effete, minimally diabolic Marlowe and the insensitive, comically distracted Shakespeare calling on the incensed Greene to pick up "a few tips on Italy" for his background material to a little tragic romance he's toying with. By the end of the year Greene was dead, the theatres closed, Shakespeare a hit dramatist. There was also *rising unemployment and racial* tension. If the play is finally muddled and unsatisfactory, it does at least convey a strong whiff of that hectic and subversive time among London damatists.

Edward Burra at the Hayward

A major exhibition of the *work of Edward Burra* is being *presented* by the Arts Council, at the Hayward Gallery from August 1 to September 29, after which it will visit Southampton, Leeds and Norwich.

This is the first comprehensive exhibition of Burra's work since his death in 1976 and some of the paintings and drawings are being shown for the first time.

Turandot/Barbican Hall

Richard Fairman

The stage was full to bursting for this concert performance of Puccini's *Turadot* on Friday night. The Barbican concert hall was not really designed for large-scale pieces and there are *few works on a larger scale* than this one: the chorus filled the back of the stage, an extra brass band squeezed on to the left-hand corner, and ranks of gongs and bells took the right, while the children's choir was ferried on and off, as needed.

To supply the right number of performers the Chelsea Opera Group and Abbey Opera combined forces in their first joint promotion. Chelsea Opera Group provided the main body of the orchestra, who tackled Puccini's *score* with energy and attack; Abbey Opera supplied the conductor, Antony Shelley, whose usual theatrical sense kept the performance *alive with interest.* And they both contributed to the chorus, for whose woolly singing they can presumably take equal blame.

For the most part a sturdy, verismo evening was promised —not least thanks to the appearance of Pauline Tinsley, a Chelsea Opera Group favourite, as Turandot. As though to hint at events to come, she began the role uneasily by getting lost on the second page; but, once beyond this initial lapse of concentration, the dynamic Tinsley of past triumphs was restored and she delivered a Turandot of fearsome resolve in the riddles scene and latent human warmth.

She was *in excellent voice,* especially at the top of her range. And so, it seemed, was her Calaf, John Treleavan, who was singing well in pitch and *with a fine, ardent lyricism.* Amanda Thane was the affecting Liù, a nice balance of Puccinian warmth and fragility. In addition, the performance should have offered a second opportunity — the first was at the Barbican a couple of years ago — to evaluate Alfano's slightly different, original ending to the opera.

But at this point Treleaven stopped the orchestra and announced a (wholly unexpected) indisposition. After a brief pause the performance resumed and he carried on singing with a glass of water in his hand and a frog in his throat; but from there to the end most of the tenor's music was taken down an octave and the opera's spell was broken. *The audience* had just one compensation: Tinsley's final cries of "Amor!" (not in the usual version) were stupendous.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Music

June 28–July 4

ITALY

Vicenza, Piazza del Signori: Mahler's symphony no. 9 conducted by Eliahu Inbal with the Orchestra of La Fenice (Tue). (37 023)

Spoleto, Teatro Caio Melisso: Midday concert every day until end of festival on July 14. (39 209 or 40 265).

Rome, Chiesa di S. Anselmo: Bach organ recital by Giancarlo Parodi (Mon). Basilica di S. Sabina: Piano recital by Gabriella Cosentino. Scarlatti, Schubert, Liszt and Chopin (Wed). 63 16 90).

NETHERLANDS

Amsterdam, Concertgebouw. Pierre-Alain Volondat performs with the Amsterdam Philharmonic conducted by Muhai Tang. Mozart, Liszt, Stravinsky (Tue). (71 83 45).

VIENNA

Vienna Symphony Orchestra conducted by Gyorgy Lehel with Ernst Kovacic, violin. Handel, Schwetsik and Beethoven. (Tue). Arkadenhof.

Vienna Symphony Orchestra conducted by Hiroyuki Iwaki with Walter Klien, piano. Handel, Mozart and Berlioz. (Thur). Arkadenhof.

SPAIN

Granada, Patio de Los Arrayanes, Alhambra Palace. Soprano Jessye Norman in songs by Brahms, Wagner, Ravel and Richard Strauss to Richard Nunn's piano accompaniment (Mon); also in Granada Music Festival, at Auditorio Manuel de Falla: Piano concert by Hugh Tinney: Beethoven, Albeniz, Scriabin, Chopin, Liszt (Tue); Luis Claret (cello): Bach Suites (Wed). (22 52 01).

NEW YORK

The Kings Singers (Tanglewood): Fugues, madrigals and Jerome Kern figure in the group's repertory (Wed). Lenox, Mass. (413 637 1940)

WASHINGTON

National Symphony: conductor, Leonard Bernstein. Traditional free concert on the grounds of the Capitol. Mixed programme includes Bernstein: An American Songfest, played by a sextet led by the composer.

CHICAGO

Ravinia Festival (Highland Park): The 50th anniversary season includes a variety of programmes and performers starting its opening week with the LaSalle Quartet in a programme honouring the centenary of Alban Berg's birth. (728 4642)

HOLLYWOOD

Hollywood Bowl: Oregon Bach Festival Orchestra and Chorus conducted by Helmuth Rilling. Bach St. Matthew Passion (Tue); Bach B Minor Mass (Wed).

LONDON

Nathan Milstein, violin and Georges Pludermacher, piano. Bach, Brahms, Paganini and others. Royal Festival Hall (Mon). (928 3191).

London Symphony Orchestra conducted by Neville Marriner with John Browning, piano. Verdi, Mozart and Rachmaninov. Barbican Hall (Tue). (638 8891).

Ronnie Scott's, Frith Street: Joe Pass, guitar. Also Ronnie Scott's quintet. (439 0747).

Saleroom/Antony Thorncroft

Of strings and things

A "golden period" violin by Antonio Stradivari is the highlight of Sotheby's sales this week. Made in Cremona in 1719 it is known as "ex-Haupt" after a previous owner. It is being *sold by a professional musician* and should make over £200,000 —although two weeks ago another Strad was bought in at Sotheby's New York: but, dating from 1672, it was hardly golden.

In the same Thursday sale the first known genuine "Up right" piano made in England, by John Hawkins around 1805, should go for £8,000, while two sets of Uillean pipes, one 19th-century, the other made in *Dublin about 1930* by *Leo Rawsome*, are expected to top £2,000 each.

The other major event at Sotheby's is the auction tomorrow of an unrecorded Beilby enamelled colour-twist wine glass, which was unearthed at a recent valuation day in Guildford. Beilby is regarded as the greatest British glass-maker of the 18th centry and this example, decorated with a three-masted sailing ship called *The Providence, should sell for at* least £5,000.

Paperweights have been a dull market in recent years but a single-owner collection of more than 200 paperweights, formed in the 1950s and 1960s, will *provide some interesting* price comparisons. The most important lot is a very rare *Drifting Snow* Baccarat weight, with animal silhouettes on a snow-covered ground: it carries a £8,000-£12,000 estimate. However, there are weights on offer which should make less than £300.

At Christie's today a Sèvres dinner service, given by King Louis XVIII of Fracne to the Vicomte de Chateaubriand in 1823, when he returned from being ambassador in London and became Foreign Minister, comes under the hammer. It was recently rediscovered in a London dining room but the 60 plates, four bowls and a small tureen show no sign of wear. Obviously Chateaubriand, who had a steak named after him was a delicate eater. Christie's has a top estimate of £30,000 on the service.

In 1884 Christie's sold a basin, made in the Urbino workshop in 1608, for 105 guineas: it reappears in the same auction of continental ceramics with a top estimate of £18,000.

There are also the major Old *Master sales this week.* Sotheby's has works by Reni, three of the Brueghels, Teniers the Younger, Canaletto and a good Salomon van Ruysdael. Christie's has Murilo, two "new" Canalettos, a Bellini and a Vernet.

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Telegrams: Finantimo, London PS4. Telex: 8954871
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Monday July 1 1985

Danger ahead for the EEC

THE EUROPEAN Community's summit in Milan has ended in the worst possible way. Its task was to work out ways of easing and speeding decision-making in the future, by emphasising or expanding the role of majority voting, and by reducing or restraining the right of national veto. Instead, it wound up as a contest of wills, with nothing decided, and with the Six and Ireland lined up against Britain, Greece and Denmark.

It is hard to conceive, on this kind of issue, a mode of action less appropriate than a contest of wills. The common presupposition before the event was that all member states were, in different degrees, ready to submit to more majority voting, as the necessary counterpart to more rapid progress in decisions. Such a move las least welcome to Greece and Denmark, who have long been the Community's foot-draggers. The obvious first priority therefore, have been to build on such consensus as could be worked out.

The deadlock between the foot-draggers and those who claim the greatest readiness to move towards a more politically integrated Europe is particularly damaging for Mrs Thatcher. Her Government had made considerable efforts, in the run-up to the summit, to present a position which was pragmatic, constructive and pro-European, but without conceding much to the quasi-federalist rhetoric of some of the original Six; she may have believed that hers was a position that could reasonably become the basis of compromise. The result showed that Britain had once again made too little allowance for the integrationist aspirations of the Six, and had under-estimated their long-simmering resentment at Britain's previous record of trouble-making.

Spoiling role

But the tussle reflects just as little credit on the original Six. They may have been so irritated that Mrs Thatcher should seek to out-manoeuvre them on the middle ground of pragmatism that they resolved to strike a posture on the high ground of Euro-rhetoric. It is even possible that they would genuinely be prepared to introduce majority voting on some issues, where the Rome Treaty prescribes unanimity. But it is sheer illusion to pretend that a 7-to-3 vote in Milan can determine the outcome of a constitutional conference, let alone the ratification process that any treaty revision would require in 12 parliaments.

The Greek Government played a characteristically spoiling role. Once it became clear that a large majority of the member states were determined to hold a constitutional conference, the right way forward was to adopt such practical, if modest, improvements in the decision-making rules as could be implemented immediately. This would have had three advantages: it would have restored some credibility to the Community; it would have speeded up decision-making right away; and it would have created a better atmosphere for the constitutional conference. By insisting on a choice between short-term improvements and long-term reform, the Greek Government has reduced the chances of either.

Mrs Thatcher must now rethink her position. Since she attaches great importance to the liberalisation of the Community's internal market and the removal of all national barriers to trade, it is essential to reach agreement on how the necessary decision are to be taken. This means that she must reach an accommodation on the constitutional issues with the majority of the member states, on political as well as practical grounds.

Majority vote

The Greeks may care too little for the European Community to want to strengthen it. But for Britain, the Community is the centrepiece of a foreign policy dominated by the European imperative. The Government cannot afford to be at loggerheads with its main Continental partners for the sake of an ideological prejudice.

The Greeks and Danes may be able to prevent ratification of any new treaty; but under the existing treaty, decisions can still be taken by majority vote—although that will require explicit renunciation of the right of national veto under the so-called Luxembourg compromise.

Three dangers now face the Community. The first is that the conference will waste much time but produce no result. The second is that the Six will negotiate a new treaty among themselves; this can probably be discounted, because it would not dispose of their obligations under the old treaty. The third is that they will decide informally to move ahead outside the treaty framework. The British Government may, therefore, have to decide whether to be part of the majority or the minority.

Discounting the local grocer

IF YOUR local grocer ever gets to read the Office of Fair Trading's new report, "Competition and Retailing," he may not be very impressed. It concludes that the big discounts the large food retailers such as Tesco and J. Sainsbury squeeze out of the food manufacturers are benign. They are not an abuse of market power primarily because "lower prices are being passed on to the benefit of consumers." Competition in food retailing, says the OFT, is "evidently still very strong."

Small grocers, who are steadily losing market share to the big supermarket chains, will agree competition is fierce. Why then, they may ask, are our prices so often uncompetitive? There are many possible reasons: the supermarkets are frequently better managed and enjoy many economies of scale. Some corner shops will even maintain their sheer convenience justifies high prices.

Many small retailers will argue that they want to be price competitive and, indeed, recognise that their long-term future depends on this but maintain it is impossible because of the special discounts negotiated by the big chains. If the small grocer has to pay much more for his stock, how can he offer the prices of his local Tesco? From his vantage point, the fact that the big retailers pass on some of the benefits of discounts in lower prices has little bearing on the question of fair competition: this is the natural strategy of companies intent on building up market share

Special terms

The evidence suggests market-share is the supermarkets' goal. The OFT's conclusion that special discounts are benign is in line with a Monopolies and Merger Commission investigation in 1981. Yet since that report the market share of the big four (Tesco, J. Sainsbury, Asda and Kwik-Save) has increased from 34.2 per cent to 40.7 per cent.

Moreover, the value of the discounts is rising: the OFT confirms that the special terms negotiated by Tesco, J. Sainsbury and Asda are worth no less than 10.5 per cent of gross sales compared with 9.2 per cent four years ago: this is a formidable hurdle for the corner shop grocer. The notion that all the benefits are passed on to consumers is questionable given the OFT's finding that the current cost returns of big food retailers are about five percentage points above the industrial average and close to double those in food manufacturing.

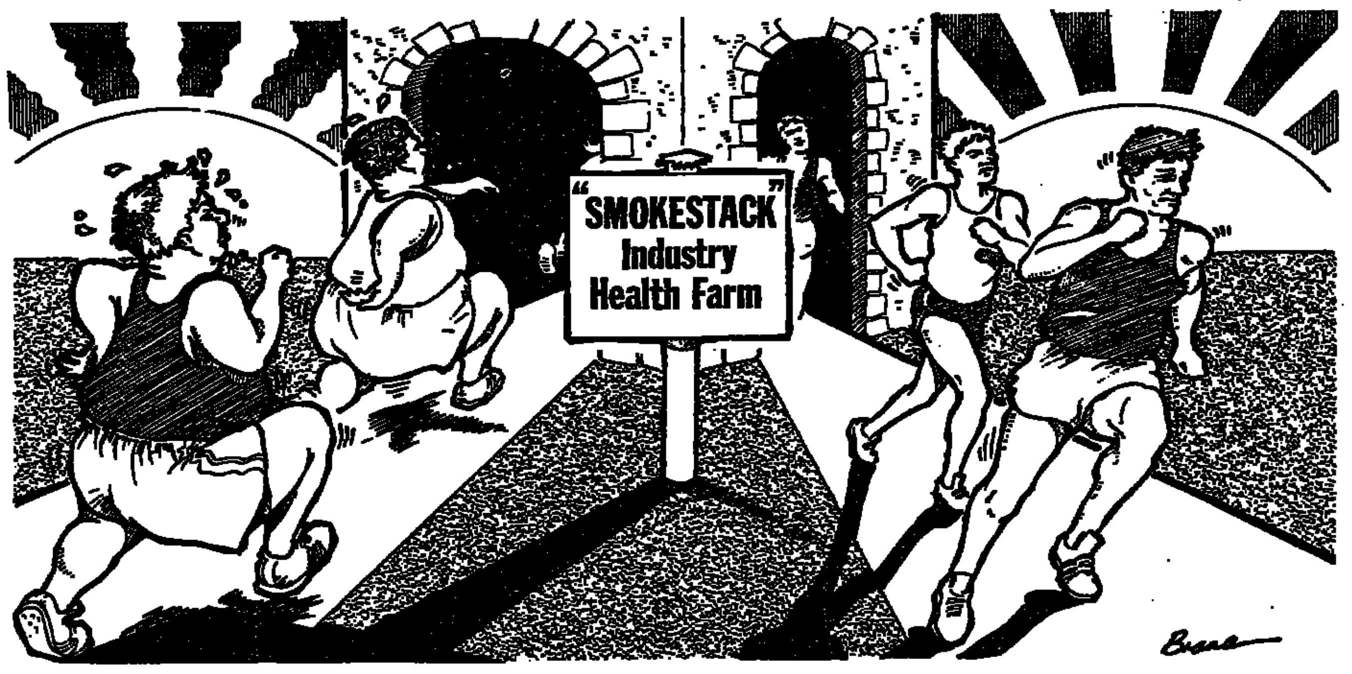
The discounts enjoyed by the big retailers are known as "non-cost" discounts: they do not reflect, for example, the reduced cost of bulk deliveries. Since the manufacturers have no incentive to advance them, they must reflect the use, if not the abuse, of market power. The reduction of manufacturers' branding and the steady rise of supermarkets' "own brands" are clear indications that market power is shifting to the big retailers.

Ultimate loser

This may be no bad thing. As power shifts to the likes of Tesco and J. Sainsbury, in the short term at least consumers are likely to benefit through lower prices. But while the discounts may not represent unfair competition as between the big manufacturers and retailers, what about the corner shop grocer? He is the ultimate loser when the retailing chains siphon off excess profits. Indeed, it is possible the manufacturers do not suffer much: they may be able to recoup the money lost on special discounts by charging their small customers more.

In concluding that special discounts do not constitute unfair competition, the OFT is less than wholly convincing. The difficulty is what to do about discounts. Legislation, such as the Robinson-Patman Act in the U.S., to protect small retailers from price discrimination, does not seem effective. More competition between food manufacturers might help since this would lessen their ability to give discounts to anybody. Failing this, some mechanism allowing small retailers collectively to get terms comparable with those enjoyed by the big chains would help.

EUROPE'S TRADITIONAL INDUSTRIES



Some rays of sun peep through the smog

By Ian Rodger

AN AURA of decline seems to to hover like smog over Europe's mature industries. They are called "smokestack" or "sunset" industries. They are to be found in "rust-belts" like the Ruhr, the Lorraine and the West Midlands. They seem forever to be involved in rationalising and restructuring.

The shake-out in these traditional industries, such as steel engineering, textiles and furniture, has indeed been horrendous, far worse than most company directors thought they would, or could, face. In Britain alone, more than 1.7m manufacturing jobs have disappeared since 1979.

But contrary to a still widespread view, these industries are still contributing very substantially to Europe's economies. In 1983, they produced two-thirds of Europe's visible exports worth \$460bn (£357bn). Moreover, in many sectors both output and profits have been recovering strongly.

How will they fare in the future as competitive pressures from the U.S., Japan and the newly industrialised countries continue to grow?

There is no simple answer. Many European manufacturers believe that despite the strains of recent years they have not lost their technological edge. "We do not feel inferior to the Japanese," says M Jean-Pierre Desgeorges, chairman of France's Alsthom Atlantique, Europe's leading power plant and railway locomotive maker. "We win export orders against them every day." But it is not just the Japanese. To other makers of sophisticated products, the demands of developing countries such as China and India for substantial technology transfers which will one day enable them to compete head-on are worrying.

In some sectors, the labour cost gap with Far Eastern competitors looks too wide to close, but in an increasing number of others the new automated manufacturing technologies (AMT) can sharply reduce the labour component of overall costs. Buying and operating a robot costs much the same in Taiwan as in Italy.

Product design and production engineering are becoming ever more important. The future belongs to those with the wit to design the most efficient products and make them more cheaply than anyone else. The quality of European engineering is still very high, but there are tough new requirements today — engineers must be fully conversant with electronics as well as manufacturing — and some people fear that not enough resources are being put into education and training in Europe.

No European country has been spared the need to change, although the timing of the shake-out has varied considerably in the past few years. In general, it tended to flow from north to south, starting in the UK in 1980 and moving fairly quickly to Sweden and West Germany and ultimately to France, Switzerland and Italy. In part, this was because the last recession hit first in Britain, and British manufacturers' competitiveness was devastated by the combination of high inflation and an oil-inflated currency. Swedish and West German industries followed quickly showing their traditional sensitivity to external forces. But in southern Europe, rigid employment regulations have prevented many manufacturers from carrying out much-needed surgery until recently.

The other perhaps predictable pattern is that the main victims of the shake-out have been small companies. Large groups have been able to protect themselves by shedding labour, cutting off sub-contractors and using their financial strength to acquire new businesses. Most of the traditional giants of European industry — Mannesmann and GHH in Germany, CGE and Schneider in France, Fiat in Italy, GEC and GKN in Britain, and many other major groups—are still there. The only significant names that have disappeared are Creusot Loire, the French heavy engineering group, and IBH, the German construction equipment group. But almost all their operations have been carried on by others.

The same cannot be said for the small machine shops and other sub-contractors that have traditionally fed on the large groups. More than 12,000 companies went bankrupt in Germany last year, more than double the rate in 1979. Other countries have seen similar rates of increase. Insolvencies in England and Wales soared from 4,500 in 1979 to 13,700 last year.

There is also a remarkable similarity about the survival strategies of most of the large companies. They have tended adopt the framework for analysis developed by the Boston Consulting Group, or variants of it. This requires a group's businesses to be divided into four categories—dogs, cash cows, stars and wild cards. This classification invites directors to nurture businesses in the latter two categories and to keep cash cows as long as they generate cash. But the dogs—businesses suffering from excessive competition, low margins and low growth—should be jettisoned unless a cost-effective way can be found to move them quickly into one of the other categories.

Examples of companies going through this process can be seen everywhere. GKN has got out of general steel and fasteners, the two businesses on which it was founded, and made major cuts in others, resulting in the reduction of its workforce by 50,000 since 1979. But it has also expanded rapidly and successfully in automotive components. Schneider has jettisoned sports clothing, skis, wind-surfers, watches and drugstores as well as Creusot Loire, and has rebuilt a strong group concentrated on electrical and electronic equipment and process plant contracting.

Asea of Sweden has reduced its interest in slow-growth electric power plant equipment while building up its leading position in robotics. Mannesmann bought Hartmann and Braun, the large process control supplier, and Kienzle Apparate, a computer maker, in the early 1980s while carrying out major rationalisation at its Demag heavy engineering subsidiary. Fiat has withdrawn from steelmaking but invested heavily to make its Teksid metalworking subsidiary a world leader in aluminium diecasting.

A start has also been made at dealing with the dogs. Pont a Mousson of France has mopped up most of Europe's iron pipe industry, Esab of Sweden is doing the same in welding and Sulzer of Switzerland has taken a dominant position in textile machinery through the acquisition of Ruti in 1984. These businesses, which were formerly unprofitable for all competitors, have become cash generators for the surviving companies.

There is still much to be done to rationalise and revitalise traditional sectors, but even the amount done so far has proved that there are good profits to be made in them. GKN's pre-tax profit last year of £120m was 18 per cent higher than the previous peak in 1979. Its return on assets in 1984 reached nearly 14 per cent, higher than it had been in a decade. Mannesmann rcently reported that its net profit in 1984 nearly doubled to DM 188.5m (£47m) on turnover up only 12 per cent. And many other companies are in better financial shape than for several years.

The big question though is whether European manufacturers can maintain their restored momentum against the competitive challenges from the Far East and elsewhere. Some sectors have better prospects than others. Steel textiles and clothing seem so protected by partial government administration of their markets that they will probably survive, regardless of their competitiveness.

Some low value-added sectors of mechanical engineering, such as foundries and forgings, will also survive partly because production can be automated in many instances and partly because it is usually not worth it for the Koreans and other developing countries to ship these items over long distances. But the size and health of the foundry and forging industries is dependent on the state of the European automotive industry. In the past few years, that has meant a significant decline in demand, forcing major closures, and that trend seems likely to continue.

The prospects for makers of sophisticated automotive components and other engineered products seem much brighter. European companies are still among the world leaders in many engineering sectors, such as agricultural tractors, diesel engines, compressors, gas and steam turbines, industrial pumps, bearings and some types of construction equipment, notably excavator and tower cranes. Bosch, Michelin and GKN are successful global suppliers of advanced automotive components.

Mr Peter Sulzer, executive vice-president of the diversified Swiss engineering group which bears his name, says, "In terms of technology, we (Europeans) are more advanced in the classical engineering sectors than the Americans and there is more money going in to keep it that way. Japan has just caught up to us though, and could go ahead unless we spend more on research and development and education."

Japan has already caused the Europeans major headaches in a few sectors. Perhaps the most disturbing case has been that of machine tools. This industry, although relatively small in terms of sales value (\$20.8bn worldwide in 1984), has always been regarded as strategically important because it produces the machines that make all manufacturing possible.

In the early 1970s, the Japanese industry, then the fourth largest in the world with annual sales of less than \$1bn, seized an extraordinary opportunity presented by the emergence of computer numerical control (CNC) technology. Although this was developed in the U.S. and Europe, the Japanese were the first to capitalise on its potential for making the main types of machine tools—lathes and milling machines—more versatile, and thus making possible high-volume production and sales.

By mid-1981, the Japanese had become the largest machine tool builders in the world, snatching huge market shares in the U.S. and Europe for their sophisticated CNC products. However, in the past three or four years, the Europeans and Americans have been scrambling back, and are now generally believed to have recovered their competitiveness, if not their market shares. The German and Italian machine tool industries have been particularly highly rated in recent surveys.

Another sector hurt by a surge of Japanese competition has been construction equipment. Japanese manufacturers, led by Komatsu, have launched a major and successful international sales drive in the past decade based on keen prices and high product quality. Japanese exports have grown from Y154bn in 1975 to Y541bn last year, and that was over a period when markets worldwide for most types of construction equipment dropped by 30 to 50 per cent.

The impact on European producers, such as Poclain of France and Orenstein and Koppel of Germany, was dramatic. O&K sales of excavators halved to 1,500 between 1979 and 1982. But the company brought in new management, slashed its workforce, redesigned its excavators and invested in more efficient and automated plant. After three years of losses, the group returned to profit in 1983 and last year boosted exports, profits and orders significantly. Herr Karl Heinz Siepe, chief executive, said last month: "The consolidation phase is over. O&K is once again a technological pacesetter in the market."

Recent studies indicate that more and more European companies are carrying out the sorts of programmes that O&K did, particularly the investments in advanced manufacturing technologies (AMT) such as computer-edited design and automated product forming, materials handling and assembly. These are the areas where many manufacturers can find the savings in operating costs and improvements in product quality that give them a new competitive thrust. Frost and Sullivan, the international consulting group, has forecast that investment in Europe in AMT will soar from \$100m last year to over \$1.5bn by 1990.

If they are right, then there are a lot of traditional manufacturers in Europe who believe they have a future.

Previous articles appeared on June 17, 19, 21, 24, 26 and 28. The next article will appear on Wednesday.

Men and Matters

Clan Kinnock

Is the Kinnock family trying to establish a political network in Wales to rival the Lloyd George group in the first half of this century? Apart from the party leader himself in Islwyn, his brother-in-law Colin Parry has already been adopted as the Labour nominee for Ynys Mon (formerly Anglesey). And now close family friend Joan Ruddock is a likely runner in Torfaen (formerly Pontypool) if, as widely expected, Leo Abse decides not to seek re-election.

Mrs Ruddock announced over the weekend that she would be standing down as chairperson of the Campaign for Nuclear Disarmament to seek a winnable parliamentary seat, and to ensure that Labour does not abandon its non-nuclear policy when returned to power. She has refused to comment on speculation that she might stand for Torfaen, which includes the area in which she was born and grew up.

But Welsh Labour MPs are certain that Mrs Ruddock will stand, against strong local candidates, and they suspect that Mrs Glenys Kinnock is closely involved in advising her. Indeed, for all her glamour and charm, Mrs Kinnock has become unpopular with some leading Welsh Labour politicians for being too active politically. Who elected her? is one view, and there are comparisons with presidential wives Rosalynn Carter and Nancy Reagan and even with Lady Falkender. But then Welsh politics has never been known for its charity.

Hard driver

The crisis at American Motors (AMC), the U.S. affiliate of Renault, has pushed a 52-year-old Belgian, Mr Jose Dedeurwaerder, into one of the hottest seats in the motor industry. The company is in heavy loss, has high costs and is steadily losing market share.

Dedeurwaerder has decided to tackle the problems head on, ordering a 25 per cent reduction in head office costs and confronting the unions face to face with demands for a substantial cut in wages. "It was quite typical of him," says a colleague. "He is very direct. There is no mystery about what is on his mind."

The moves have provoked the inevitable response, with the production line workers originally refusing even to negotiate. But Dedeurwaerder has already reduced head office jobs by 800 and is believed to be close to an agreement on a new contract for the shop floor.

His increasing role in this strong-arm battle was underlined last week when Mr Paul Tippett, AMC's American chairman, quit to take up a job as president of textiles manufacturer Springs Industries. Dedeurwaerder is expected to take on the chairman's job, too.

He still faces a formidable task. AMC has achieved record production in its Jeep division but is having trouble in the small car range. Dedeurwaerder, an engineer who worked for Renault in Argentina and Mexico, is, however, winning admirers for his tenacity. "If they ever invent the 27-hour day he is going to be the first person to sign up," says a fellow executive.

"Looks as though there are more ticket forgeries about than we thouhgt"

Playing the game

Will Clive Lloyd, recently retired at the West Indies' most successful cricket captain, eventually leave Britain and push his luck in volatile Caribbean politics? During a breather in the City on a whistle-stop tour to launch his official biography, written by fellow West Indian Trevor McDonald of ITN, he was still stonewalling.

"I can't deny that I'm attracted by a political role doing something for sport and the people of the West Indies," he says. "But I'm settled in Cheadle (Manchester) and I love Lancashire." To prove it, he was wearing the red rose blazer as he signed books at a shop in Broad Street.

Lloyd has an impeccable record as a politician of sport. He helped to boost the earnings of West Indian cricketers by encouraging them to join the Kery Packer circus in Australia, but is even more committed against attempts to lure them to South Africa.

He hasn't much sympathy with those who took the rands and went—and are consequently banned from West Indies cricket. 'They broke the rules and have to take the consequences."

Lloyd himself was offered a six-figure sum to play in South Africa. He gave a not very polite "No." They wanted him so badly that South African contacts kept phoning his wife to point out how much money he was sacrificing and shouldn't she try to persuade him? "With my wife, they didn't get anywhere," he says.

He calls himself "semi-retired" but is still turning out for Lancashire, particularly in one-day matches. Lancashire even wanted him the day he was due to sign books during the Lord's Test match. Lord's and the book won, so it seems he has got his priorities right.

Charity chorus

Pop stars are rapidly shedding their swimming pool, tax exile image. When not, like Bruce Springsteen and Paul Weller, making generous donations to miners' funds, they are devoting themselves to chairitable works.

This week Greenpeace, the environmentalist pressure group, will be the beneficiary, with artists like Wham and Roger Taylor of Queen, contributing songs to an album which aims to "save" Antarctica. Recent chart-topping records have aided the Bradford City appeal and Ethiopia (twice), while currently riding high is "Ben" the proceeds from which help sick children.

And on July 13 comes Live Aid, the biggest media event in history when three simultaneous concerts, at Wembley, Philadelphia and Sydney, should raise more for famine relief in Africa than the annual GNP of some African states.

The stars involved have even solved the delicate matter of who should top the Wembley bill. Paul McCartney, as an ex-Beatle, gets the honour, over such names as Elton John, David Bowie and Mick Jagger. But not for long. After a few chords of "Let it be" all the other artists will crowd the stage for the chorus, to be followed by the American monster hit for Ethiopian relief, "We are the World."

The only issue to cause trouble is access to the U.S. American television is taking the concert from the early evening, and few stars want an afternoon slot which forgoes the chance of appearing before the audience which buys almost 50 per cent of all the records sold in the world.

Observer

After the EEC summit

Why it all went wrong

By Quentin Peel in Milan

EVEN in the annals of the European Community, there can scarcely have been an occasion when appearances were more divorced from reality.

As fireworks in the green and white of the European federalist movement burst over the mediaeval Castello Sforzesco in Milan, on Saturday night, and champagne corks popped in the courtyards, the leaders of the EEC were licking their wounds after a bruising two-day summit which left them deeply and publicly divided on questions of fundamental principle.

Signor Bettino Craxi, the Italian Prime Minister, and host of what was *billed* as the launching pad for a decisive move towards European Union, declared it all a resounding success. "The European Council has swept away paralysis and introversion," he declared. "We have taken a significant step forward."

Sig Craxi was referring to the bitterly disputed decision, with seven in favour and three against, to press ahead with a *fully-fledged inter-governmental* conference to amend the Community's founding Treaty of Rome.

He was also describing a meeting which in reality had signally failed to reach any substantive decision on ways of immediately speeding up the creaking decision-making processes of the EEC, so that the promised goal of removing all the remaining barriers to a single Community-wide market can be realised by 1992.

The split between the six founder members of the Community, joined by Ireland, and the unlikely alliance of Britain, Denmark and Greece, was precipitated by Sig Craxi's insistence on the unprecedented move of calling an informal vote at a summit.

It immediately gave rise to two opposite interpretations. There were those, like Chancellor Helmut Kohl of West Germany, and Mr Wilfried Martens, the Belgian Prime Minister, who seemed to welcome the open confrontation. "At least we now know where we all stand," was the gist of what they said.

Others, predictably led by Mrs Margaret Thatcher, the British Prime Minister, saw the outcome *as a sorry display of indecision* and division. "We came here with *high* hopes," she said. "We were prepared to take decisions on practical steps forward. We have not made the progress we sought. Others have postponed it to another conference."

In effect, the outcome of Milan means that efforts to galvanise the Community, and re*strict the power of individual* members to block and delay its decisions, will now almost certainly be left to a conference where all decision must be unanimous. It raises the prospect of a so-called two-speed Community, with the Seven pressing ahead to greater economic and political union, and the Three hanging back, unwilling to abandon the same degree of national autonomy. The chances of reform before Spain and Portugal join in January are decidedly slim.

So where *did it* all go wrong? With a full 12 months of preparation for the Milan summit, *the divisive question of Britain's* budget rebate resolved last June at Fontainebleau, and all supposedly *set for some clearcut* progress, who dropped the ball.

The groundwork for Milan *was done* by the committee of wise men set up by the EEC leaders at Fontainebleau, chaired by Senator Jim Dooge of Ireland, and made up of the personal representatives of the heads of government. But even in this forum, the division of seven to three — or at least six to three, with Ireland on the fence — was apparent.

Seven were prepared to go all the way

Seven were prepared to go all the way and amend the Treaty of Rome, so that on areas of practical policy, decisions should not have to be taken unanimously, but by qualified majority voting. The insistence on unanimity, on questions like changing legal barriers to the open internal market, recognition of professional qualifications and right of establishment, and tax harmonisation, has made progress agonisingly slow.

Six of the seven were also prepared to drop all reference to the infamous Luxembourg compromise, the unwritten formula by which member states can cite their "vital national interest" to block or delay other decisions which can already be taken by majority vote.

Britain, Denmark and Greece, on the other hand, all argued in differing ways that there was no need to amend the treaty; *what was needed was the poli*tical will to move forward. Along with Ireland, they wanted to keep the right of veto.

In the run-up to Milan, there were many in Whitehall who thought Britain, in spite of the divide, had played her cards rather well. What was the point in calling a conference without unanimity, they argued, even if there was obviously a lot of support for the idea in Italy, the Benelux countries, and the European Parliament. Chancellor Kohl and President Mitterrand, moreover, seemed yet to be convinced, unlike their representatives on the Dooge committee.

Into the vacuum, the British pitched their plan for a good-looking package of measures which stopped short of actual treaty amendment: a decision at summit level on various ways of more majority voting, and making use of the veto more difficult; a legal agreement on more foreign policy co-ordination, including some security questions; and a rather limited committment for more genuine consultation with the European Parliament.

All of these, said Britain, could be decided by the Heads of Government themselves with*out delay*.

The British plan failed at Milan for a variety of reasons.

In the first place, with memories of the Budget deal still vivid, it aroused a general suspicion among her EEC partners that Mrs Thatcher might get away again with picking and choosing exactly the bits of the Community she wanted, without making any concessions to other nations' priorities.

Secondly, it gravely underestimated the determination of Paris and Bonn to retain their role as effective Community pacemakers. Thus came the virtually unheralded announcement on the eve of the summit of a Franco-German draft Treaty for European Union. It was no more than a watered-down text of the British proposed agreement for more political co-operation, with a new secretariat in Brussels —but it was enough to upset the apple cart.

The third miscalculation was over the determination of Italy, in the crucial role as president of the Community for the last six months, to set up an inter-governmental conference as a symbol of its commitment to the ultimate goal of European Union.

European leaders (front) and Foreign Ministers (behind) ahead of the weekend talks

The British plan may also have set too little store by the dedication of the smaller member states—in particular Belgium, the Netherlands and Luxembourg—to see the institutions of the Community reinforced, and not simply to make the economic community work more efficiently.
members assume as their right.

The summit meeting on Friday and Saturday, meanwhile, was certainly no event for the faint-hearted. On several occasions, talks were actually suspended to allow tempers to cool.

Sig Craxi's decision to take a vote certainly caused a storm, and by all accounts took the British delegation by surprise. It also infuriated Mr Andreas Papandreau of Greece for riding roughshod over the prin*ciples of consensus*.

Even so it looked as if a workable compromise might emerge. Throughout Saturday afternoon, texts were flying backwards and forwards seeking to include not only the commitment to a conference, but also the immediate British package of measures to increase majority voting.

It was only when the process was well advanced, that they all realised just what Mr Papandreou was saying: that they could have one thing or the other, but not both the conference and the *majority* voting. His cold fury ran directly into the Presidency's commitment to a conference: if one thing had to give, Sig Craxi decided it was the immediate measures on majority voting.

The outcome of the summit remains far from clear. Legally, the decision to call a conference will not be confirmed until the Parliament has been consulted.

This means the whole bitter debate will be reopened at the next meeting of Foreign Ministers, in Luxembourg later this month.

What is missing is political will at the top

That meeting will also have to try again to fix a clear conference mandate, watered down by the summit to broad generalities. But that very process threatens to abort the conference before it begins: if the *mandate is too specific, and* commits the conference to amendments of the treaty, then Denmark may refuse to attend it. The Danish Government remains adamant that it will not countenance any change in the treaty.

As for the Seven, it is argued that they have a much more united front than the Three. Denmark, it is admitted, has theological objections to treaty amendment. *Greece's opposition* might better be described as visceral. But the UK, is still seen as a possible convert. "If we can actually get her to the trough, she will drink," is the view of one Foreign Minister.

Without unanimity, however, the Treaty of Rome remains, and all the existing institutions as they stand. The Seven could then only press ahead with a separate agreement, even different institutions. No one has dared suggest that yet.

A two-speed Europe would not appear to be a juridical possibility, but rather only a practical one: by pragmatic agreemnts amongst the Seven to agree on co-ordinated polices, say on faster removal of frontiers. That is already happening with Benelux, France and Germany. On most other measures of economic and political co-ordination, Britain would be up with the leaders, not at the back of the pack.

The conference, or the Foreign Ministers, could very probably agree on more formal political co-operation, as now proposed by Britain, France and Germany. It will have to reassure neutral Ireland, as well as the Danes and Greeke, but the outlines are already clear.

What is missing, as Milan all too brutally demonstrated, is the political will at the very top. What also needs to be overcome is a very real divide in European psychology: between those for whom the political symbols come first—and the conference is seen as one—and the practical steps are assumed to follow; and those like Britain who would take it the opposite way round. They may be talking about the same things, but they cannot see it.

Lombard

'Eurosclerosis' under scrutiny

By Samuel Brittan

THE TERM "Eurosclerosis" was first coined, as far as I know, by Prof Herbert Giersch of Kiel, to describe the ills that have overcome the European economy in recent years. The condition is in one sense an absolute one. But the term is also used comparatively to show how Europe has fallen behind the U.S. in output and jobs.

The whole concept of Eurosclerosis has now come under attack by a distinguished Frenchman and former EEC Vice-president, Prof Robert Marjolin, in the June 24 issue of the *Amex Bank Review*. Marjolin's case, in a nutshell, is that we have become too preoccupied with the two Reagan boom years from 1982 to 1984, which were a temporary upsurge made possible by America's unique ability to finance her own budget and external deficits from capital inflows. Over a longer period, Europe comes out very much *better*.

Prof Marjolin's evidence is summarised in the chart. If one bears in mind the very different lengths of time covered by the bars, Marjolin seems to be right on productivity, but the Euroscleroucs have the better of the argument on growth.

Productivity rose so much more in OECD Europe than in the U.S. in all the other periods *shown, that the slight superi*ority in the U.S. performance in 1982-84 cannot hope to make up for it. On the other hand the U.S. growth lead in 1982-84 is gigantic; and in earlier periods there is little to choose between the two areas. So at least since the 1973 oil shock, the U.S. growth average has been far superior.

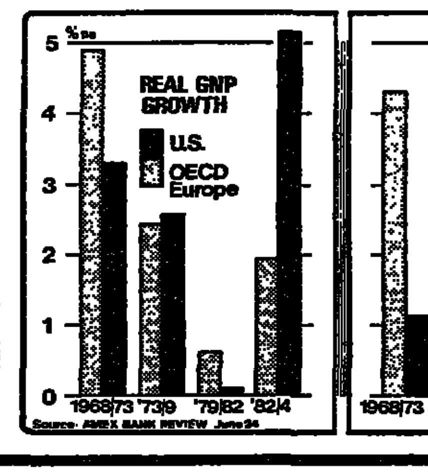
Why should the U.S. have a lead in growth, but not in productivity?

The big difference is that the U.S. was far more successful at providing jobs, so that the smaller productivity increases it did enjoy were more fully utilised and did not go to waste in unemployment.

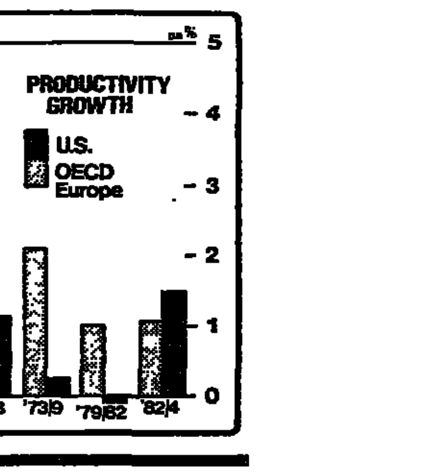
Indeed a good deal of the rise in the European productivity has not been just technological, but a response to the excessive rise in real pay and other components of labour costs, and has thus contributed to unemployment. Maybe the problem is that of an arthritic labour market rather than a sclerotic general economy.

Excessive real wages have helped to give rise to the further problems of capacity constraints and skills constraints as demonstrated in a *new report by the Brussels*-based Centre for European Policy Studies, of which Professor Giersch is a co-author, and excessively conservative fiscal policies in Germany (but not in Britain) may have compounded the difficulties.

Yet there are signs of hope. When an Italian Socialist Prime Minister is able to fight and win a referendum on the adjustment of the *scala mobile "cost of living" increase, which* in effect reduces real wages, there are signs of commonsense —perhaps more so in the Latin than in the northern part of the western fragment of our continent.



Source: AMEX BANK REVIEW June 24



Letters to the Editor

The technology gap

From Mr Colin M. Gibson.

Sir,—I found the first two-thirds of Mr Wilmot's article "Wanted: an industry that is world class" (June 26), gave a perceptive review of a real European problem. It is the final third and his solution with which I take issue.

(a)—I would have added that American culture, supportive of small businesses, and maximum personal income tax level of 50 per cent over many years are also relevant factors, not mentioned by Mr Wilmot, to the take off of venture capital in *the 1970s in the U.S.*

(b)—To suggest a disappointment and therefore some flaw in the Business Expansion Scheme (BES) because it has not spawned a trans-European world class high tech start-up is a vast red herring. BES is all to do with small business start-up in the UK and is totally irrelevant to a discussion on the perceived needs of medium/large European companies to achieve global capabilities.

(c)—I would sum up Mr Wilmot's QEE as: "please, taxpayers of the EEC, give us (medium and large national companies in the Community) special incentives and we, and our large financial institutional friends, will join together to meet global competition." How disappointing — or should the word be pathetic—that Mr Wilmot's own company and others cannot get together, if that is what the competitive situation demands, without handouts.

The considerable stature and influence of Mr Wilmot should, in my view, be directed to pressure both Whitehall and Westminster to stepping up each and every process to hasten the elimination of the barriers within the EEC to create the largest "home" market for all European companies. The solution to the problem is not the creation of sophisticated and *cunning tax benefits which*, while applicable in theory to companies of all sizes will, in practice, only benefit the large ones.

Colin M. Gibson,
West Mare Lane,
Pulborough, West Sussex.

Solicitors and conveyancing

From Mr P. Rubinstein

Sir,—Sir Gordon Borrie and Professor Farrand, eminent lawyers though they are, just do not understand the function of a private conveyancing solicitor (June 6) which in the case of my firm, and most others I know, extends far beyond the mechanical conveyancing process.

Apart from such mundane matters as obtaining certificates of purity for private water supplies to Welsh properties; ensuring the satisfactory emptying of cesspits; and a neurotic pre-occupation with woodworm and rising damp, time and again we actively dissuade clients from going ahead with transactions which seem to be unwise either on financial or family grounds.

For example I have just dissuaded a client from selling his house and buying what, on investigation of his family needs, was clearly an unsuitable replacement that would have been quickly resold. Instead the client is modestly extending his existing house and I have deprived myself of acting in four conveyancing transactions. Does anyone really believe that similar disinterested advice will be available from the "faceless" institutions? Most do not even *allow "clients" to call to see* them.

To digress a little, other problems of lack of personal contact arise with bank executor trustee companies. Whilst banks may administer estates efficiently they do so without essential knowledge which would be available to a mortal executor. This was brought home to me early in my career when I was the secretary of a school old boys association. On the death of a retired headmaster I wrote (promptly) to a corporate executor asking for access to historical records relating to an early period of the school. The (prompt) reply was that all personal papers other than those of financial interest had been destroyed.

It should be remembered by those who try to improve old established customs that theory and practice rarely go hand in hand.

P. Rubinstein
Scale Lane,
Hull HU1 1LJ

Pension erosion by inflation

From Mrs Geraldine Kaye

Sir,—Nick Ryan's statement that the inflation elements of pension funds should be catered for by non-money purchase means (June 27) cannot be allowed to pass without further comment.

Inflation just before retirement must be paid for—in the case of final salary schemes—by the employer (leaving less in the pot for salary increases to the remainder of the work force?). Final-salary schemes have not found a magic answer to the problem *of the value of* investments eroding with inflation. The fact that the employer must make good this erosion in value of a change in circumstances is often overlooked: as the cost is masked if only global calculations for the complete workforce are quoted—usually in the form of x% of payroll. (How can the employer be expected to judge from that how much extra Mr A is costing than originally estimated?)

The difference in emphasis—for that is all that it is—between the money purchase and final salary approach is who should foot the bill. Nothing in this life is free, at least certainly not in commercial life. *If* the employer really wants to take on this burden of inflation etc, he can easily top up the pension produced by the money purchase approach if it falls short of some target he considers desirable (not necessarily a rigid target fixed for the company irrespective of individual circumstances). The fact that this has not happened in the past would imply to me *that they do not really wish to* do so. It is only ignorance of the fundamentals of pension scheme design which is causing them to do so now under the guise of the final salary design.

For national decisions to be made about whether to introduce changes to the structure of occupational schemes, whether total changes from defined benefit to defined contribution, or other unthought of ways, the lay public need to understand how benefits are to be paid for and by whom. There is much educational work to be done. The meeting of the PMI to which Mr Ryan referred and participated provided welcome input.

Geraldene Kaye,
Research Fellow in Actuarial Science.
The City University,
Northampton Square,
London EC.

Airport development: facts and fancies

From Sir Peter Masefield.

Sir,—Alexander Pope was right—not least about airports —that "a little learning is a dangerous thing;" as it clearly is for Mr Christopher Meakin of Hong Kong (June 21) who castigates, impartially but, I fear, inaccurately, such a mixed bag as senior civil servants, Prestwick Airport, Mrs Thatcher and the need for "ever bigger airports for London" while, apparently, advocating the diversion of some London-bound and originating traffic to regional airports together with a return to Maplin. At the same time, he suggests that Ted Heath and Dame Alison Munro (in their days at the Ministry of Civil Aviation) were involved in "the drafting of an airports policy for the Attlee Government." With respect, all these points are misconceived or untrue—or both.

Who can doubt that London, as well as our regional airports, will all continue to need more capacity in common with other such major travel centres as (in order) New York, Chicago, Atlanta, Los Angeles, Tokyo and Paris. The prospective requirements are emphasised in convincing detail in the report *of the unbiased, meticulous and* painstaking Graham Eyre, QC, after 258 working days of public hearings. On the best available evidence he has estimated that the annual passenger demand through the London area airports is likely to move from 47m passengers per annum in 1985 to 89m by the year 2000 (an increase of 89 per cent). But that this will not be at the expense of regional airports is shown by his estimate that traffic through those airports will grow from the 22m passengers per annum of 1984 to more than 43m by the year 2000—an increase of 95 per cent. The White Paper of 1985 clearly sets out a policy of meeting that demand and there is obviously no intention of fudging that issue in which the airports at Manchester, Birmingham, Newcastle, East Midlands and Teesside will all grow and flourish, commensurate with their specific traffic catchment-areas.

In all of this Prestwick remains an important airport both for the West of Scotland and as a base for the manufacture and overhaul of aircraft and aero-engines. When it is, eventually (and the sooner the better) provided with fast motorway and rail links with Glasgow, Prestwick has the ability, environmentally, operationally and economically, to supersede the limited capacity of the present Glasgow Airport at Abbotsinch.

Maplin has always been a dead duck (or "Brent Goose") in operating, economic and geographical terms. Moreover, as an airport it would be environmentally devastating for the swathe of Essex which would have to be carved out (at vast cost) to provide access. Such a cooked goose cannot be revived.

As for my old colleagues at M.C.A., Ted Heath and Alison Munro — the, then, Colonel Heath's contribution to the early *Heathrow Planning Committee*, in 1947, was to recognise the need for extensive car parks in the central area — up till then forgotten — and, in a different field, to point out the need for a multi-wheel undercarriage on the forthcoming Comet aircraft so as to spread the load on runway pavements. Alison Munro dealt — brilliantly — with the negotiation of international traffic rights following the Bermuda One Agreement. The fruits of their endeavours flourish yet.

Say not the struggle nough' availeth.

Peter G. Masefield.
Rosehill,
Reigate, Surrey

FINANCIAL TIMES
Monday July 1 1985

Terry Byland on Wall Street

In search of solid performers

JUNE has been a difficult time for Wall Street investors. The stock market had to fight hard to manage a very modest gain over the month and although new peaks were recorded last week, the latest federal economic data have raised the same old doubts about the outlook for corporate profits.

The Street's view on earnings prospects for U.S. corporations has been erratic since the turn of the year, with forecasts quickly downgraded as the economy seemed to slow, and bullish as the clouds lifted. Overall, forecasts have become slightly more optimistic since January 1 – but not much. Analysts' forecasts currently are for a rise of 2 per cent to 3 per cent in 1985 earnings of the Standard & Poor's 500, compared with earlier forecasts of a "flat" year.

Even these modest predictions have not been all that helpful so far. "Modest" profit gains and peak market levels have not saved investors from a pounding in the technology sector, or from disappointment in the manufacturing areas.

Small wonder, then, that portfolio managers are beginning to look for stocks with a solid performance record rather than the pyrotechnics of yesteryear.

One major criterion for identifying such stocks is the earnings stability factor (ESF) compiled by Shearson Lehman Brothers since August last year. The ESF aims to measure the stability of a company's earnings over a 20 year period, by comparing total capitalisation with return on capital.

Shearson rates about 200 companies as possessing high ESF characteristics. The range is wide, covering such diverse stocks as Manufacturers Hanover and Dun & Bradstreet.

As a talent-spotter, ESF is not infallible. Among stocks with high ESF factors are IBM and Hewlett-Packard, neither of which kept pace with the market last month. But the performance of the high ESF group as a whole has lessons for investors.

In broad terms, high ESF stocks have easily outperformed the market during the uneasy period since August last year. As might be expected, they lagged slightly during the 1982-83 bull market, when investors chased high-growth stocks. But the lag was very slight – 57 per cent growth in high ESF stocks, against 69 per cent for the Dow, according to Shearson.

More significant is the relative earnings trend of the ESF stocks, which suggests that they may be undervalued at present. Taking 50 out of its top 200 ESF stocks, Shearson finds that the median price-earnings ratio of around 10½ is at the low end for a group with earnings prospects well above the market average. The group of 50 is expected to push earnings ahead by 8 per cent this year, nearly three times the most optimistic forecasts for the S+P 500.

Yet the high ESF stocks continue to trade at price earnings ratios of only about 135 per cent of the ratio on the S+P stocks. This seems to under-rate the attractions of the stocks during a period of relative uncertainty.

Bristol-Myers and Merck, the drug majors, rate high on the ESF scale. Both have solid earnings record, and rose through the post-1980 recession better than most. Both are believe to be heading for further profits gains this year.

Bristol-Myers, boosted both by its strength in anti-cancer drugs and by non-medical products like infant formula, could lift earnings by 13 per cent this year.

Merck has been finding the going more difficult, because of growing competition for Aldomet and Indocin, its two most profitable drugs. Yet analysts also predict a 13 per cent profit gain from Merck this year.

Both are trading around their 52-week high and both are trading at price earnings ratios well above the average for the ESF stocks. But stock market action has focused around Merck in the past few weeks.

The market seems to be according Merck's earnings quality a little on the high side, compared with Bristol-Myers. Merck should regain its premier position in world drug markets towards the end of the decade as its new drugs come increasingly into play. But for the current year, the stock price may be leaning a little too heavily for comfort on the everlasting hope that the dollar will fall. Of course it may, but that would alter prospects for most drug stocks, not to mention many other market sectors.

Bristol-Myers, on the other hand, can afford to see a weaker dollar as a bonus. Earnings are soundly pinned by its still-dominant position in the anti-cancer market, worth about $250m in sales last year.

Lloyd's members to take legal action over losses

BY JOHN MOORE, CITY CORRESPONDENT, IN LONDON

UNDERWRITING MEMBERS in the Lloyd's insurance market who are facing £130m ($169m) of losses are planning to mount an extensive legal campaign against the Corporation of Lloyd's and other parties in connection with their worsening financial position.

After a 2½ hour meeting about 400 underwriting members decided that they would refuse to pay any money to meet insurance claims and also refuse to co-operate with Lloyd's in demonstrating that they had enough money to meet future insurance claims in a "solvency test" organised by the market.

The underwriting members are those whose affairs are managed by Richard Becket Underwriting Agencies (once known as PCW). They are just some of 1,525 underwriting members whose funds were misappropriated by former executives of the agency.

In total, some £40m of underwriting members' funds are alleged by the agency's parent company, Minet Holdings, to have been misappropriated by former executives.

Although Minet arranged an offer whereby the underwriting members received a return of funds and other money to compensate them for their funds which have gone missing, other trading losses, amounting to £130m, have hit the members in the course of their trading activities at Lloyd's.

A steering committee, led by Lord Goodman, the British lawyer, has been set up by the underwriting members to protect their interests.

Last Friday the steering committee held a meeting at Lloyd's to plan the future course of its campaign and raise further funds to finance legal action. The committee has raised more than £150,000 to protect the position of nearly 400 members who are bearing the brunt of the trading losses.

Now the underwriting members are planning to deny liability if there has been fraud or misconduct in the handling of their affairs. They intend to take action against Richard Becket Underwriting Agencies, Minet Holdings, Mr Peter Dixon and Mr Peter Cameron-Webb (the two former executives who are alleged to have misappropriated the funds), and the Corporation of Lloyd's. They are also planning concerted action with Lloyd's underwriting members hit by the problem who live in the U.S.

The steering committee is to meet Mr Robert Alexander, QC, next week, to discuss future legal action. Meanwhile, a technical committee led by Mr Anthony South of Willis Faber, the insurance broker, has been formed to explore the relationship established by former managers of the underwriting members' afairs with a range of offshore companies.

UK miners' union threatened by splits over rule changes

BY OUR LABOUR STAFF IN LONDON

THE BRITISH mineworkers' union is facing the risk of splits and a legal challenge from within its own ranks as moves get underway this week to impose far-reaching changes aimed at tightening up the central control of the union.

Mr Arthur Scargill, president of the National Union of Mineworkers (NUM), who experienced strong opposition to his policies from within the union during the year-long pit strike which ended in March, now faces a challenge to this power and leadership.

The NUM meets in Sheffield this week for its annual conference when rule changes will be debated. Delegates from moderate coalfields are expected to call for Mr Scargill to stand for re-election as president at the end of this year. This would be an attempt to prevent him from remaining in the job for life, which he is able to do under existing rules.

These coalfields are represented by 43 of the 107 delagates who will attend the five-day gathering.

Mr Scargill said yesterday that he believed moves to weaken his position in the union would fail and that he would emerge from the conference stronger.

He said that voting on the first resolution on the conference agenda today – congratulating the NUM executive on its work over the past 12 months – would "indicate where the delegates stand" and set the course for a future militant policy from the union. The right-led areas will seek to condemn the executive.

At the same time, Mr Scargill said the union would elect three new trustees as a first move to regain control of the £8m held by the court-appointed receiver or still frozen in bank accounts in the UK and abroad as a result of the strike. This move is likely to be followed by a purging of the contempt of court incurred by the union, thus allowing it to regain its cash.

The NUM president has determined that any amendments to the new rules which will be put to the conference will require a two-thirds majority to be passed. This makes any significant challenge unlikely to succeed.

The left-led areas of Scotland and South Wales are opposed to a number of individual rules – but, even though they may combine with the right they will not be able to muster a two-thirds majority on most. The union's biggest area, Yorkshire, commands around 25 per cent of conference votes and is in general solidly supportive of the rule changes.

Chrysler to acquire Hutton unit

By Terry Dodsworth in New York

CHRYSLER, the U.S. motor group, is to diversify further into the financial services sector with the acquisition for $125m of E. F. Hutton Credit, the commercial lending and leasing subsidiary of the E. F. Hutton broking group.

The move accords with Chrysler's stated policy of expansion in the high-technology sector and financial services, and follows its recent acquisition of Gulfstream Aerospace and its joint venture agreement with General Electric Credit

Mr Lee Iacocca, Chrysler's chairman, said that the acquisition of the Hutton activities would make the group's financial operations "a more independent company with broadly based financing capabilities."

Mr Robert Fomon, chairman of Hutton, said that the credit activities were being sold because the growth of the company far exceeded expectations and the group was not able "to utilise fully its attendant tax benefits."

The Hutton activities will be merged into Chrysler Financial, the motor group's financing arm.

Chile devalues peso and slashes tariffs

BY HUGH O'SHAUGHNESSY

THE CHILEAN Government has announced a 7.8 per cent devaluation of the peso and large tariff cuts in the wake of the agreement reached in principle with its major foreign creditors. The moves are seen as a return to monetarist orthodoxy by the Pinochet Government.

Speaking in Santiago late on Friday night, Sr Modesto Collados, the Economy Minsiter, said that the official rate for the peso would fall from 155.72 to the U.S. dollar to 168.9 and that import duties would be slashed from 30 per cent to 20 per cent. At the same time tax incentives would be introduced which would particularly aid new and small exporters.

For his part, Sr Hernan Büchi, the Finance Minister, announced the phasing out of the preferential dollar exchange rate over the next 18 months. Currently standing at just over 100 pesos to the U.S. dollar, it had been introduced to aid Chilean banks and businesses which had accumulated large dollar debts.

Sr Büchi warned that the economic measures would have an immediate inflationary effect in a country where prices are rising at the rate of some 32 per cent a year, but added that the rise in the cost of living would return to moderate levels later in the year.

Following the announcement on Friday of agreement in principle between the International Monetary Fund, the World Bank, the advisory committee of commercial bank creditors and the Pinochet government on a package of $1,085bn of new commercial credits and the rescheduling of $6bn debts falling due to the end of 1987. Sr Büchi is pressing Chile's commercial bank creditors to accept the scheme.

In a message to creditor banks, he said: "This financial package represents a unique collaborative package." Sr Büchi is seeking a 180-day extention of all maturities falling due between now and the end of the year. The commercial bank advisory committee is also recommending acceptance of the terms Chile is seeking.

U.S. commercial bankers have hailed the decision of the World Bank to guarantee the more distant maturities of a 12-year, $300m co-financing being extended to the Pinochet government by the bank and commercial lenders.

Mexican 'devaluation,' Page 2

EEC in disarray after summit split

Continued from Page 1

of priorities for removing all remaining barriers to the EEC internal markets by 1992 and on board agreement to pursue the French Government's Eureka initiative for co-operation in high-technology research.

The vote left the leaders with differing interpretations of what it meant. Herr Helmut Kohl, the West German leader, and Mr Wilfried Martens, of Belgium, both expressed relief that the differences over the path to institutional reform had been brought to a head.

Mrs Thatcher, however, sharply criticised the failure of her fellow heads of government to reach immediate conclusions. "We came here with high hopes," she said. "We were prepared to take decisions on practical steps forward on the internal market, and on how best to co-operate politically. We have not made the progress we sought."

Shares replace perks for UK workers

By Stefan Wagstyl in London

FROM the boardroom to the mail room and the shop floor, British companies are more interested than ever in payment by results.

Flat-rate annual pay increases are giving way to performance bonuses and pay rises linked to individual merit.

Traditional fringe benefits such as the staff Christmas bonus, exotic overseas trips and even free petrol are on the way out. Instead, share option schemes are becoming ever more popular.

These are the main findings of a survey published today by Reward Regional Surveys, a West Midlands research company.

The report says that since 1979 tax changes and the end of government pay codes and freezes have created a new culture in many British companies.

"If any manager who retired in 1975 returned to work today, he might justifiably have the impression of being in a foreign country," it says.

"For a start, much of the language might baffle him. A whole crop of new words – incentive, performance, merit appraisal – has entered into boardroom vocabulary. And by the same token, many of the old familiar terms such as flat-rate increases and norms are fast disappearing."

The report says: "1985 looks set to become a record year for new incentive pay schemes." Some 25 per cent of the 1,200 companies surveyed were introducing new incentive schemes or updating old ones, or were planning to do so in the near future.

However, the authors add: "The wind of change has not, of course, ruffled all organisations." Ten per cent of companies said they had no performance pay system

The report sees the decline of the Christmas bonus as a sign of the times – only 29 per cent of companies paid one and many of these were dropping it or anxious to do so. "There seems very little doubt that the company Santa will increasingly become a disappearing species."

Performance bonuses are becoming more closely linked to merit. The survey found "a distinctly harder line" about bonuses with many companies saying "without apology" that they refused to pay in bad years or to individuals failing to meet targets.

Meanwhile, fringe benefits are "a diminishing feature of corporate life." The report says: "The bubble is going out of champagne entertaining. Even such relatively mundane benefits as free petrol and health insurance are starting to come under the microscope."

Instead, companies are rewarding staff with "the straightforward lure of money." Some 88 per cent of companies specifically take performance into account in the annual pay round. "There is no question which way the trend is going... merit will increasingly become the yardstick in the annual pay review."

The report predicts a "boom in share options," with 25 per cent of companies already running at least one scheme, and a further 10.5 per cent planning to introduce one.

The most popular scheme is the save-as-you-earn option scheme, introduced by the 1980 UK budget and open to all staff with a minimum number of years' service, usually five. However, executive option schemes for senior staff only are gaining ground after tax concessions granted in the 1984 budget.

But the report is sceptical about the long-term value of share option schemes. Some companies would do well to leave them alone and pay bigger cash bonuses instead. "Beware current trends, they may not suit your style," say the authors.

● A report from the Top Pay Unit of Incomes Data Services also concludes that the popularity of payment by performance is rising – specifically the use of merit payment systems in which merit increases are built into basic salary or wages.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	25	77	Dubrovnik	S	27	81	Malaga	S	27	81	Salzburg	F	25	77
Akrotiri	S	29	84	Faro	F	24	75	Malta	S	27	81	Seoul	F	29	84
Algiers	S	29	84	Florence	S	29	84	Manila	S	31	88	Singapore	C	25	77
Amsterdam	F	18	64	Frankfurt	C	21	70	Miami	S	32	90	Stockholm	C	17	63
Athens	S	31	88	Funchal	—	—	—	Milan	S	27	81	Strasbourg	S	23	73
Bahrain	S	36	97	Geneva	S	25	77	Moscow	F	16	61	Sydney	S	20	68
Bangkok	C	29	84	Gibraltar	S	25	77	Munich	S	22	72	Taipei	C	30	86
Barcelona	S	25	77	Guernsey	S	20	68	Nairobi	C	20	68	Tangier	S	25	77
Beirut	—	—	—	Helsinki	R	13	55	Naples	S	27	81	Tehran	—	—	—
Belgrade	S	25	77	H. Kong	F	31	88	New Delhi	S	39	102	Tel Aviv	S	27	81
Berlin	C	17	63	Innsbruck	S	25	77	New York	C	22	72	Tenerife	—	—	—
Biarritz	S	24	75	Inverness	F	16	61	Nice	S	24	75	Tokyo	R	22	72
Blackpool	R	15	59	Istanbul	S	25	77	Oporto	S	20	68	Toronto	—	—	—
Bordeaux	S	29	84	Jersey	S	21	70	Oslo	F	15	59	Tunis	S	30	86
Brussels	S	20	68	Jo'burg	—	—	—	Paris	S	22	72	Valencia	S	19	66
Budapest	F	22	71	Las Palmas	S	24	75	Prague	F	21	70	Venice	S	24	75
B. Aires	—	—	—	Lima	F	20	68	Reykjavik	R	10	50	Vienna	F	22	72
Cairo	S	34	93	Lisbon	S	26	79	Rio de J'o	S	28	82	Warsaw	F	19	66
Cape Town	S	21	70	Locarno	S	25	77	Rome	S	27	81	Zurich	S	23	73
Caracas	—	—	—	London	F	21	70								
Casablanca	S	24	75	Los Angeles	S	32	90								
Copenhagen	C	19	66	Luxembourg	C	18	64								
Corfu	S	27	81	Madrid	S	31	88								
Dublin	C	15	59	Majorca	S	32	90								

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Mugabe 'racist' attack

Continued from Page 1

even though the provision was effectively entrenched until 1990. "We will not live with that indignity and insult very much longer," he said to roars of approval from the crowd, the largest gathering in Zimbabwe since independence. "That dirty piece of paper (the constitution) will be cleansed."

Mr Mugabe did not elaborate, nor did he specify what measures the Government would take to make life difficult for whites, but among the first targets could be white-dominated private schools, sports clubs and medical clinics.

The results of Friday's election took many observers by surprise, although the voting margin was narrower than the outcome suggests, with the alliance polling 19,000 votes and independents, who generally took a less conservative line, winning 15,000.

Mr Smith himself attempted to head off the Government's angry reaction when he gave a placatory interview to the local newsagency, run at length in yesterday's paper. "I wish to emphasise that our policy is one of full co-operation with the elected majority rule government, and that were are entirely reconciled... to living under such a government," he said.

THE LEX COLUMN

Old problems for new issues

London's new issue trade had ground to a virtual halt by the end of last week. Confronted with one of the most inhospitable equity markets in years, the Bank of England's queue dwindled to a straggle of hopeful civil servants, while sponsoring brokers and bankers dispersed to Lords or Wimbledon and fund managers passed the time glumly totting up their underwriting commitments.

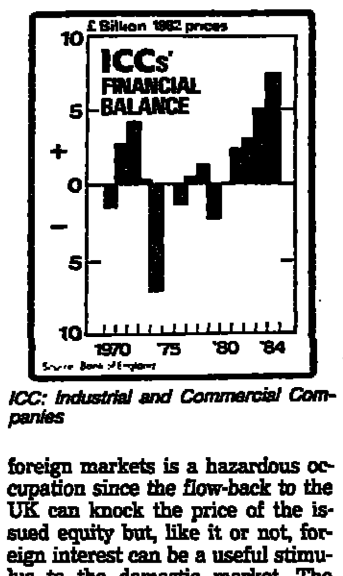
London was paying the penalty for an unprecedented, and in retrospect excessive, volume of new issues during the first six months of the year. Alternation of feast and famine is hardly a new feature of the UK primary market, but rarely has the transition been so swift and painful. Ten days ago, the sponsors of the Abbey Life offer were being roundly criticised for playing host to the stags; only a few days later the advisors to the Hanson Trust rights issue were under fire for stuffing the market. The Christian Salvesen offer, which was 5.6 times oversubscribed, looks set to open at a discount this morning.

UK new issues weather a volatile market better than most. The Bank queue, for all its faults (and favouritism), helps to ensure that London is not afflicted with the chronic indigestion which periodically lays Wall Street low. The Bank is generally criticised for being too inflexible – it was pretty daft to insist that the Abbey Life offer be priced only a day after publication of the Serps paper – but last week the market was grumbling about exactly the opposite. So the Bank may have it about right.

By appealing over the heads of intermediaries to the retail market, vendors are guaranteed a wider audience for primary offerings than they could obtain in New York, where issues are initially shifted on to the books of the securities houses. It would simply not have been possible, for example, to launch a company the size of British Telecom on Wall Street without tearing up the rule book on initial public offerings.

The UK underwriting system, moreover, allows such a substantial issue to be floated into even a capricious and volatile market. The Reuters offer for sale almost came unstuck in New York, while in London it had been comfortably underwritten in advance.

But, for all its advantages, the London structure labours under several handicaps. Not the least of these is that many foreign investors do not understand the arrangements and those that do understand dislike them. Pitching equity into foreign markets is a hazardous occupation since the flow-back to the UK can knock the price of the issued equity but, like it or not, foreign interest can be a useful stimulus to the domestic market. The sponsors of the forthcoming Britoil offer must be mightily relieved to know that a portion of the offer can be placed in firm foreign hands.



ICC: Industrial and Commercial Companies

A present, however, registered equity can only be placed in a secondary offering such as Britoil. The Stock Exchange argues, with some justice, that to extend the practice to primary market issues would allow sponsoring brokers and bankers to favour their own clients at the expense of everyone else. Yet an exception was made for Telecom, a portion of which was successfully placed in advance, and there is a case for extending the idea to other large primary issues.

Besides placating the foreign investor, the placing can sometimes produce a truer after-market price. The conundrum of the conventional fixed price offer is that, it the stags are out to grass, the institutions are expected to underwrite an offer, subscribe for it and then buy the shares in the after-market to keep the price up. As the primary Britoil offering showed, this can sometimes be asking a little much. The institutions simply fail to apply and pick up their underwriting commitments instead.

The principal difficulty with the London primary market may be that its capacity is paradoxically too great. It is exceedingly difficult to price an offer accurately when so much personal wealth – and credit – can be mobilised to subscribe for it, Wall Street is perhaps no better at pricing issues than London – though the much shorter interval between pricing and first dealings can work to its advantage – but the vendor's risk is reduced by the small amount of stock on offer.

This cuts two ways. An institution is less likely to chase up the price of a primary offering if it knows that more stock will be made available later. And if the initial tranche of stock is mispriced, the vendor at least has the opportunity to correct the error by issuing a second tranche to an established market.

The tap stock has always been resisted in London on the grounds that it creates uncertainty and depresses the price of the issued equity. But, if the timetable of the issuance is broadly known in advance, the tap is really no different from the partly-paid issue employed by the Government and, more recently, by Hanson Trust. If the Government had offered Telecom in tranches – by way of rights to initial shareholders – the Treasury might be feeling a good deal richer just now.

A £10bn gap

Where has all the money gone? An estimated £10bn, more than the public sector borrowing requirement, has vanished from company coffers according to the latest Bank of England Quarterly Bulletin. Though the corporate financial surplus, at £9.6bn for 1984, is higher than ever before, neither the Bank nor the Central Statistical Office can trace how companies are spending it.

The discrepancy could arise on either side of the equation: either liquidity has been overstated, or companies' investment in financial assets has escaped the net of the statisticians. The latter seems more likely – everyone thinks that liquidity is high, and the Bank admits that companies may have been acquiring financial assets that have not been traced. It may be that companies are borrowing more money in order to invest it in financial assets which they used not to bother with.

The corporate sector has certainly become more financially sophisticated – BP, for instance, has an in-house bank – and many treasurers are as enthusiastic about earning a return on financial assets as on their existing fixed capital. This would also help to explain why bank lending to the corporate sector is so high when companies are apparently full of cash. But while bank borrowing is relatively easy to measure, it is often harder to track the ensuing investments, particularly if the money has gone overseas. And the wider this sort of activity spreads, the larger is the likely distortion in the accounts.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday July 1 1985

CREDITS AND EUROBONDS

Why flying solo does not work

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

A DISCREET campaign is being mounted by banks in the Euronote market to discourage top U.S. corporate borrowers from trying to assemble facilities on their own without appointing any particular lead group.

The campaign follows suspicions over the past few weeks that American Airlines was considering just such a method for the $300m backstop facility it is known to want to have in place by the end of the summer.

In part, it is the natural reaction of bankers who have already seen their returns from syndicated lending dwindle away to almost nothing. They are worried that fee income might dry up altogether if such a practice became widespread.

But the fact that the issue has come up at all says much about the current state of the Euronote market. The fact is that more and more U.S. companies are looking at Euronote programmes as an alternative to or to complement their commercial paper issues.

This is because rates in the two markets have tended to converge since the start of the year, facilitating what are called global programmes of the type launched last week by Dominion Resources which is offering commercial paper in the U.S. and in the Euromarket simultaneously.

Also, competition in the U.S. market has forced some banks there to drop their commitment fees on back-up loans attached to commercial paper programmes while fees on similar facilities in Europe have been rising following April's circular from the Bank of England imposing capital requirements on Euronote underwriting.

The upshot is that total financing costs in the two markets have thus come very close together, but the problem is that U.S. companies are traditionally used to arranging their own back-up credits in the commercial paper market, and the fear is that many might be inclined to do the same in Europe.

Here is where bankers really get hot under the collar. Most of them believe that Euronote issues needed to carry a rating from an agency such as Standard & Poors or Moody's, but these agencies normally require top-rated issues to carry a bank back-up line. There is a world of difference, however, between an easily assembled back-up line for commercial paper in the U.S. and a Euronote facility with its complicated tender panel structure.

A company which tries to arrange such a facility on its own could really come unstuck, they argue, citing the unhappy experience of Occidental Petroleum which earlier launched a do-it-yourself deal for $200m only to have to increase the fees on offer half way through. The market verdict at the time was that the deal turned out unnecessarily expensive for Occidental.

So there it is – a plea from the banking community to borrowers to keep pushing business their way. It is perhaps all the more heartfelt at the moment because new deals continue so thin on the ground.

But the Australian metals concern Comalco, which is controlled by CRA, has mandated Credit Suisse First Boston and Morgan Guaranty to arrange a $450m facility on terms as yet undisclosed. Also Coca-Cola's cup is truly flowing over. Its $365m facility launched 10 days ago through Salomon Bros to finance receivables has attracted subscriptions in excess of $700m and a further tranche of $265m is being launched on similar terms.

Elsewhere, Crédit Commercial de France launched a $40m World Bank co-financing for the Ivory Coast which is part of a $210m highway project. The 8½-year deal is in Ecus and French francs with a margin of 1¼ per cent and in dollars at a margin of 1⅛ per cent over U.S. prime.

SIP plans public issue of shares

By Alan Friedman in Milan

SIP, the Italian state-owned telephone and telecommunications company, is hoping to follow in the footsteps of British Telecom by offering up to 49 per cent of its shares to Italian and foreign investors.

Sig Paolo Benzoni, vice-president and managing director of SIP, said he would seek government approval for the partial privatisation.

He also said he expected interest in SIP shares would come from U.S. and British institutional investors. SIP, which is controlled by the IRI-STET state holding group, is quoted on the Milan bourse, where 13.89 per cent of its shares are in private hands.

Pirelli, the leading Italian tyre and cables company, owns just over 3 per cent of SIP.

Last year SIP, which employs 75,000 people, made a net profit of L185bn ($94m) and devoted L4,185bn to capital investment. This year the telephone utility is planning to allocate L4,400bn to capital expenditure.

Sig Benzoni said he hoped a share offer could go ahead in the near future. Before a privatisation exercise of this magnitude can go forward, it will doubtless be subject to discussions at the political level, among government ministers and in the parliament.

SIP last year paid a dividend of L100 per share.

● Montedison, the Milan-based chemicals, energy and health care group, is to merge its Ausimont speciality chemicals subsidiary with Compo Industries, a Delaware-based chemicals company which is quoted on the New York Stock Exchange.

Compo last year returned an income of -$3.8m on revenues of $132m.

INTERNATIONAL BONDS

Dollar straights stage strong revival

BY ALEXANDER NICOLL IN LONDON

THE LAMENT of one devoted Eurobond trader, as a healthy market recovery gathered strength after a week which began dismally, was: "It's unfortunate that it's Friday." A full-point gain on Friday recouped the earlier losses and meant that many recent issues, especially dollar straights, were looking good.

The rediscovered confidence mirrored gains in the New York market following the successful absorption of the Treasury's three-day refunding programme. But it left syndicate managers still mindful of the caution of investors and of the need to target individual pockets of demand.

Among the new straight Eurobonds, most sought a market for fairly short maturities. Rockwell International's $200m issue launched on Friday had a 9⅞ per cent coupon and a 99⅝ price and attracted demand partly because it has a five-year life. Tokyo Electric Power's $100m 10⅛ per cent issue was for seven years, and Barclays Bank and Statoil both issued five-year bonds on Thursday.

Requiring closer scrutiny of offer telexes was a $208m three-tranche deal for Middletown Trust, a special-purpose fund managed by General Electric Credit Corporation. The borrowing is to finance the purchase of a New York building from GECC by Aetna Life and Casualty, and it is secured on the lease rentals from the building. The guarantee switches after the first year from GECC to Aetna.

The third part of the deal, carrying the bonus for managers of 5 per cent total fees, is a zero-coupon issue priced at par, which accrues interest at 11¾ per cent until 1999 and then becomes a regular 11¾ per cent bond. Initial market reaction was that the deal, led by Credit Suisse First Boston, should go well once those telexes have been digested.

Many market participants had less kind words to say about the continuing spate of floating-rate notes (FRN) with maximum interest rates. Taiyo Kobe Bank's $100m issue on Friday brought the total of capped FRNs so far to 17, totalling $2.67bn, all in just over two months.

The concept, generally acknowledged to be creative, has been enthusiastically embraced by banks – Italy is the only non-bank issuer – which can obtain cheap funds by selling the cap on to institutions seeking protection from a rise in rates. The sale proceeds more than compensate the issuer for the above-market rate paid to the investor to compensate for the risk of the cap.

The advantages of the cap deal, as well as the fees involved, may outweigh the near-term difficulties in placing the paper. And despite the grumbles about a glut, it is clear that such issues will continue provided there remains something in them for all the parties – at least three – in each deal.

Investors in capped FRNs are mostly banks, which can boost the yield on their FRN portfolio by buying them. Clearly, however, they want to keep a limit on their capped holdings because of the risk of a sustained rise in rates. Consequently, buyers were becoming increasingly selective during the week. The potential list of issuers and cap counterparties – be they U.S. savings and loans, less developed countries, or any company seeking interest rate protection – would seem huge.

Perhaps the most interesting twist to the capped formula was Bank of America's addition of the mismatch technique in its deal for Italy. Initially, the market was put off by the added complexity, and even at the end of the week there were doubts about its virtues.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
U.S.$	2,038.9	1.0	249.0	23.5
Prev	2,518.0	3.8	2,680.8	109.4
Other	652.3	18.6	216.3	4.0
Prev	594.9	—	682.0	1.4
Secondary Market				
U.S.$	18,174.9	818.1	12,089.3	3,279.6
Prev	23,074.5	784.7	9,715.6	2,128.3
Other	3,376.0	59.4	467.6	1,412.6
Prev	4,115.4	91.4	367.4	1,282.7

	Cedel	Euroclear	Total
U.S.$	10,764.6	25,899.6	36,664.2
Prev	13,448.1	27,566.1	41,014.8
Other	3,207.5	3,019.3	6,226.8
Prev	3,624.3	3,492.0	7,116.3

Week to June 27 1985 Source: AIBD

In mismatch deals, interest is reset monthly but paid half-yearly. Investors can thus fund their holdings with cheaper one-month money provided the yield curve is positive. Bank of America argues that mismatching a capped FRN provides a lower risk for the investors because there is less danger of one-month rates breaching the cap than there would be for six-month rates. In addition, the threat to the secondary market price of a capped FRN posed by a rise in interest rates towards the cap level would be diminished by the more frequent coupon settings.

Friday saw the launch of the first convertible Eurobond by a Japanese City bank. Mitsubishi Bank's issue was attractively priced and did well. It is expected to be followed this week by Sumitomo Bank in both dollars and Swiss francs. Meanwhile, Japanese securities houses are eagerly awaiting the first mandate for a Euroyen floating-rate note.

The growth of the market for Australian dollar bonds was illustrated by Friday's increases in three recent issues. Like Canadian dollar (including Friday's issue by Southland, operator of 7-Eleven convenience stores) and New Zealand dollar issues, they aim mainly for a retail market in Europe. The Australian dollar market is thought likely to absorb more issues. But the New Zealand market is said to be over-populated.

In Germany, the bond market reacted well to news of a fairly limited July calendar. The first dual currency bond is expected to be arranged early this week, and Deutsche Bank is expected to bring a conventional straight issue for the World Bank on Tuesday.

CBS in new attack on Turner

BY TERRY DODSWORTH IN NEW YORK

CBS, the embattled U.S. broadcasting company, has intensified its counterattack against the $5.4bn takeover bid by Mr Ted Turner, the Atlanta-based television entrepreneur, in a sweeping criticism of the financial logic of the offer.

The CBS arguments were presented in a second filing with the Federal Communications Commission, the regulatory body for the U.S. television industry. In the new document, CBS suggested that Mr Turner would cripple the group by running up consistent losses after the proposed acquistion and proposed that detailed hearings should be held on the transfer of licences which would be involved if his were to succeed.

The vigorous disagreement between CBS and Mr Turner, who has previously filed his own version of the broadcasting group's future finances, is caused by the unusual way in which the bid is being funded.

In lieu of cash, Mr Turner is offering a complex package of high-coupon debt securities – generally known as "junk bonds" – to CBS shareholders. These bonds will then have to be serviced from the revenues generated by the company.

According to CBS, many of the assumptions on which Mr Turner's debt servicing is based are unrealistic. The company suggests that the forecast of an 8 per cent annual increase in CBS revenues is over-optimistic, given the normal cyclical fluctuations of the television advertising industry.

Société Générale to lift stake in Sogenal

BY OUR FINANCIAL STAFF

SOCIÉTÉ GÉNÉRALE, the French state-owned banking group, plans to raise its stake in Société Générale Alsacienne de Banque (Sogenal) to 52.88 per cent by buying FFr 175m ($18.8m) worth of new shares.

The group will also reorganise its activities in Switzerland and in West Germany where Sogenal is seeking to acquire the deposits of the failed Munich-based bank, Schneider and Muenzing.

Société Générale, which already owns 42 per cent of Sogenal, will buy 233,500 new shares at FFr 750 each, bringing Sogenal's capital base up to FFr 608m.

Société Générale said the two banks would merge their West German activities in a new subsidiary, Société Générale-Elsässische Bank OHG. It will have nearly DM 200m ($65.3m) of capital to be provided equally by the two banks.

INTERNATIONAL CAPITAL MARKETS

U.S. MONEY AND CREDIT

Rally indicates a further fall in rates

AFTER the previous week's roller-coaster ride, the atmosphere in the U.S. credit markets improved in the middle of last week as investors stepped in to take advantage of recent heavy losses which had been precipitated by the surprisingly strong 3.1 per cent "flash" estimate of second-quarter growth in the Gross National Product.

On Monday long bond prices *fell by half a point and the* following day they were down by much the same again. However, by Wednesday the mood in the markets had turned, helped in part by unexpectedly strong investor interest in the U.S. Treasury's $17bn "mini-refunding."

With hopes of an early cut in interest rates evaporating, there was concern in the markets that the Treasury funding operation might require higher interest rates to attract investors. The rates at the weekly auction of $14bn of U.S. Treasury Bills, on Monday, had jumped by 33 basis points with the three-month bills yielding 7.06 per cent, leading many to believe that the refunding would go badly.

U.S. MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	—12-month— High	Low
Fed Funds (weekly average)	7.62	7.10	7.73	11.72	7.10
Three-month Treasury bills	6.83	7.04	7.13	10.77	6.67
Six-month Treasury bills	6.98	7.22	7.23	10.83	6.81
Three-month prime CDs	7.50	7.60	7.45	11.90	7.33
30-day Commercial Paper	7.50	7.25	7.45	11.38	6.95
90-day Commercial Paper	7.50	7.30	7.50	11.40	7.00

U.S. BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	107¾	+ ¼	10.17	10.27	10.12
20-year Treasury	111⅜	+ 1⅜	10.61	10.73	10.68
30-year Treasury	107¾	+ 1¾	10.49	10.57	10.57
New 10-year "A" Financial	N/A	+ 1½	10.75	11.00	10.88
New "AA" Long utility	N/A	+ 2¾	11.35	11.63	11.38
New "AA" Long industrial	N/A	+ 2⅜	11.25	11.50	11.25

Source: Salomon Bros (estimates).
Money Supply: In the week ended June 17 M1 fell by $1.5bn to $589.3bn.

In the event, it went far better than the Treasury Bill auction. The $6.5bn of four-year notes yielded 9.72 per cent—150 basis points lower than at the March auction and the lowest level since June 1980. The 10.40 per cent yield on the $6.0bn of seven-year notes was the lowest since August 1979 and there were signs of fairly heavy overseas demand for Thursday's auction of $4.5bn of 20-year government paper which went on a yield of 10.75 per cent.

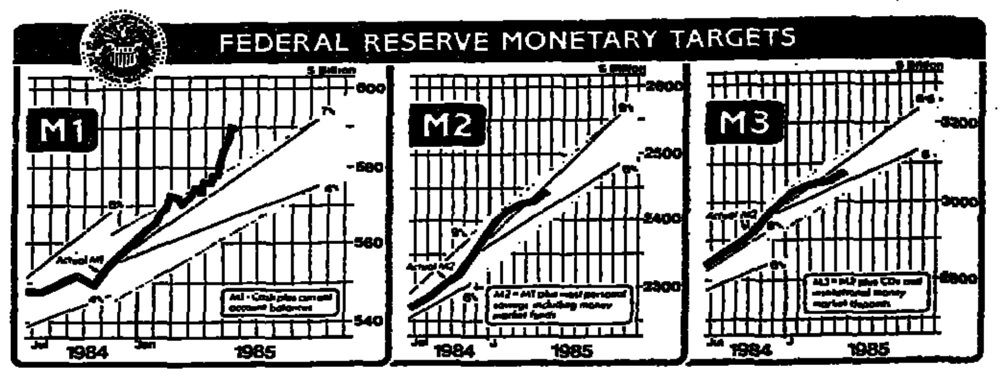
The success of the refunding, combined with a better-than-expected $1.5bn drop in the weekly M1 money supply figures, helped restore the market's confidence. By the end of the week three-month Treasury Bills were trading comfortably below 7 per cent again, and the long bond market's bellweather, Treasury 11¼ per cent, due 2015, which had sunk by more than four full points in as many days, had bounced back from a Tuesday low of 104¼ to finish the week at 107⅜.

As the credit markets move into the second half of 1985, investors are very aware that it is most unlikely that they will be able to match their performance in the second quarter for a long time to come. Over the past three months, bonds have outperformed the share markets despite the fact that the Dow *Jones industrial average ended* the period at an all-time high. Since the end of March, long bond yields have dropped by around 115 basis points and the *Fed Funds rate is down by close* to 100 basis points at around 7½ per cent.

Few investors predicted the scale of the recent rally, and this is understandable since the recent Fed easing is probably due as much to concerns about the stability of some of the weaker members of the U.S. financial system, precipitated by the runs on small savings banks and a record number of bank failures, as to worries about the pace of economic growth.

Mr David Wyss, Data Resources' senior economist, believes that the trough in U.S. interest rates has passed for the time being. He argues that the more encouraging news from the real economy "has convinced the Federal Reserve that it does not need to ease further at the present time." The less sluggish the economy appears, the more attention the Fed is likely to pay to the high monetary aggregate figures and he expects short-term interest rates to drift upwards over the *next few months.*

But it is possible to find almost as many analysts who argue that rates have further to fall. A poll of "interest rate watchers" in the latest issue of Barron's, the U.S. weekly financial paper, finds that four out of the nine analysts questioned, forecast that by the *year-end* the Fed Funds rate will be lower than its current 7½ per cent, as will long-term government bond yields which are currently around 10½ per cent.



The variation in forecasts underlines the great uncertainty in many investors' minds. Predictions on the Fed Funds rate range from 6.15 per cent to 9.25 per cent by year-end, *while* long bond yields range from 9 per cent to 12 per cent.

There is still considerable doubt about whether or not there has been a pick-up in recent economic activity. Aubrey G. Lanston says in its latest market letter that the evidence is "far from conclusive."

The confused picture on the outlook for interest rates has been mirrored in the corporate debt *market, where treasurers* have been trying to decide the best time to come to market. In the event, there has been a rush of corporate issues in the final days of *June, which has* swelled the overall figures.

According to Securities Data Company, the amount of new corporate debt issued in the second quarter rose by 77 per cent over the first quarter to $28bn with Salomon Brothers retaining its leadership position, managing just under a quarter of all new debt issues.

William Hall

UK GILTS

The Bank takes an old line on overfunding

IS THE *official* target for sterling M3 in abeyance? The Bank of England would say that is overstating the case.

The implication of its latest analysis is that the rapid growth in the broad money supply measure remains a brake on any *significant fall* in short-term interest rates—particularly in view of the buoyancy of the economy and the pace of pay awards. (Although a ½ point cut should not be ruled out if sterling strengthens further).

But reading between the lines of the Bank's latest Quarterly Bulletin, it now seems far less concerned to push sterling M3 back into its 5 to 9 per cent target range through ever-increasing sales of gilt-edged stocks.

The authorities, which for the past two years have framed their calculations on funding in *terms of sterling M3, are now* re-emphasising the old-fashioned view that the primary purpose of gilt sales is to cover the Government's borrowing needs.

Those neat tables which project the supply of gilts in terms of forecasts of bank lending and the other counterparts of sterling M3 are being quietly pushed aside.

That is not to say that the Bank has entirely abandoned overfunding. It is unlikely to pass up any chances to keep gilt sales ahead of the game.

And the Government Broker is probably not quite as confident as the Treasury that the public sector borrowing requirement for 1985-86 will be held to its target.

The bulletin, however, does suggest that the Bank now accepts that the growth of sterling M3 has been understating the tightness of monetary policy because of an upward shift in the demand for money.

It is careful to explain the differences between the situation now and in 1980-81 when sterling M3 soared alongside a *parallel decline in the inflation* rate.

It also continues to dismiss the argument that bank lending has been seriously distorted by bill arbitrage. The Bank's investigations—which incidentally have not convinced the markets—suggest a maximum of £500m of arbitrage out of a total of £15bn of bank lending between last August and April.

But that said, the calculations made at the time of this year's budget on the likely trend of velocity of sterling M3 now appear decidedly shaky and the 5 to 9 per cent target range looks too tight.

The message for the gilt-edged market is probably that while the Bank is in no mood to take chances with interest rates, there will be a much greater element of discretion than in the recent past in the level of overfunding.

That will provide some relief to the officials *managing* the Bank's "bill mountain"—the obverse of the overfunding coin. In the year to mid-May the Bank's total assistance to the *money markets climbed* from £10.5bn to £17.25bn. Daily money market shortages last month averaged over £1bn, a level which even the Bank must regard as unsustainable over the long term.

Meanwhile the public row last week between Mr Nigel Lawson, the Chancellor, and the Confederation of British Industry over what companies should do with their profits added to the fog surrounding present policy.

But one view gaining ground is that in terms of macro-economic policy the dispute is a red herring; that the focus of *policy is almost entirely on* holding sterling at a high level to squeeze out inflation and any other considerations are subsidiary.

And coincidentally, it was the pound which once again came to the rescue of the gilt-edged market last week. After drifting lower for the most of the week it came under strong pressure from heavy institutional selling early on Friday.

But with the dollar weakening sharply later in the day and sterling moving above the $1.30 mark, the losses on the week were trimmed to around ½ point.

Philip Stephens

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11¾ 94	100	105½	+0¼	10.70
AIDC 11 89	75	102¾	+0½	10.01
AIDC 11⅞ 90	100	0		
Amer Savings 12 89	125	[illegible]	+1¼	10.99
Amer Savings 12¾ 89	100	102¾	−0⅛	11.44
Asian Dev Bk 11¾ 93	100	105¾	+0⅛	10.65
Australia 11¾ 90	100	105¾	−0⅛	9.90
Australia 11½ 95	300	106⅛	+0⅛	10.44
Australia 11⅝ 98	100	108⅜	+0¼	10.38
Austria 15⅞ 88	75	112¼	+0⅛	9.86
Avco Fin 13¾ 91	100	108	+3½	11.38
Bk Nova Scotia 13⅝ 87	100	106⅛	0	10.01
Bank of Tokyo 12¾ 92	100	105¾	0	11.07
Bank of Tokyo 13⅝ 91	100	113¼	−0⅛	10.56
Bank of Tokyo 13⅞ 89	100	111⅞	−0⅛	10.38
Bergen Bank 11½ 90	75	101¼	+0¼	11.12
BP Capital 11⅜ 92	150	102⅛	−0⅛	10.63
Br Col Hydro 11¾ 93	200	106¼	0	10.66
Br Col Hydro 12½ 14	200	111	−0⅛	11.52
Br Col Hydro 12½ 13	250	110½	+0⅛	11.57
Britoil Fin 11⅞ 90	125	103⅞	+0⅛	10.84
Caisse Nat En 11¾ 96	125	105⅝	+0½	10.76
Canada 10⅞ 88	500	103⅜	+0¼	9.51
Casio Computer 5⅞ 89	80	0		
CBS Inc 11⅞ 92	100	102⅛	0	10.89
Centrust S & L 0 10	1bn	6⅛	0	11.91
Chesebrough 12 93	100	102⅞	+0½	11.43
Chrysler Fin 13¾ 94	150	107¼	+0⅛	11.87
Citicorp O/S 10⅞ 90	100	100⅜	+0⅛	10.16
Citicorp O/S 11¾ 90	100	104⅛	+1	10.59
Citicorp 11⅜ 92	100	103⅞	+0⅛	10.86
Citicorp 11⅜ 97	200	101⅛	0	11.51
Cincorp O/S 14 94	100	103⅜	+0⅛	13.33
CNCA 11½ 92	125	103⅜	−0⅛	10.75
CNCA 13¾ 91	100	109⅞	+0⅛	10.89
Coastled Int 12⅛ 88	125	103⅞	+0⅛	10.59
Coca-Cola 11⅛ 88	100	104⅛	+0⅛	9.76
Comp Bancaire 13⅞ 90	75	110½	−1½	11.00
Comsat 12¾ 91	100	104⅛	+3½	11.20
Creditanstalt 13¾ 91	100	108	+0½	11.18
Daiichi Kangyo 12⅝ 90	100	106⅛	−0½	10.64
Denmark 10⅝ 90	100	99⅞	+0⅞	10.99
Denmark 11½ 92	100	103	+0¼	10.83
Denmark 12⅝ 92	250	101½	−1⅛	12.37
Denmark 13 92	100	102⅞	+0⅛	12.30
Denmark 13⅞ 91	100	111	0	10.72
Denmark 13⅞ 88	100	109½	−1	10.15
Denmark 14 91	100	109⅞	−0⅛	11.63
Digital Equip 11¾ 89	150	104⅝	+0⅛	10.15
Dutch St Mines 11½ 91	150	101⅞	−0½	11.01
Eksportfinans 11¾ 92	100	102⅛	−0⅛	10.77
Eksportfinans 11½ 90	100	103⅜	+0⅛	10.65
Elec de France 11¾ 93	100	102⅛	0	10.70
Elec de France 12⅞ 87	150	106⅛	+0⅛	9.63
EEC 11 87	350	103	0	9.31
EEC 11⅛ 89	100	103	−0½	10.24
EEC 12 93	100	108⅛	+0½	10.48
Elf-Aquitaine 10⅜ 89	100	100¼	+0⅛	10.63
Ericsson L M 10⅜ 88	100	101⅛	+0⅛	9.64
Euro Inv Bk 11½ 90	200	104⅜	0	10.29
Euro Inv Bk 11⅜ 91	73	99⅞	+0½	11.62
Euro Inv Bk 12½ 90	100	108⅛	0	10.26
EDC 9⅞ 88	200	101	+0¼	9.59
EDC 10 88	125	101½	+0¼	9.31
EDC 10⅜ 88	100	102½	+0⅛	9.54
EDC 11⅛ 89	150	103½	+0¼	9.89
EDC 12 89	100	106¼	+0⅛	10.08
EDC 13⅜ 87	100	107⅛	+0⅛	9.48
Fed Dept Store 11 90	100	102⅛	+0⅞	10.29
Finland 11½ 88	100	104⅛	0	9.50
Finland 12⅛ 94	75	108⅜	+0⅛	10.72
Finish Export 12⅜ 87	75	106⅛	+0⅛	9.58
Firstfed Mich 1 13¾ 89	125	105⅜	+2⅞	11.38
Florida Fed 12⅝ 88	100	103⅜	+0½	11.11
FNMA 11½ 91	300	102⅞	+0⅛	10.83
Gen Elec Cred 0 96	600	31	−0⅛	11.20
Gen Elec Cred 9⅜ 91	100	98⅛	+0⅛	10.03
Gen Elec Cred 10⅜ 00	200	100⅛	+0⅛	10.34
Gen Elec Cred 11 91	200	102⅝	+0⅛	10.33
Gen Elec Cred 11½ 87	200	103⅜	+0⅛	10.97
Gen Elec Cred 12 94	200	104⅜	−0⅛	11.13
Gen Foods Cap 11½ 90	75	104⅛	−0⅛	10.35
General Mills 12 91	100	104½	0	11.04
GMCA 10 88	200	100⅜	−0⅛	9.79
Gen Motors Acc 10½ 90	200	101	0	10.18
Gen Motors Acc 11⅜ 90	100	103½	0	10.45
Gen Motors Acc 12⅜ 88	200	101⅜	−0½	8.59
Gen Motors Acc 13 86	200	103⅞	+0⅛	8.81
GTE Finance 12 96	75	101⅛	−1½	11.75
Gulf Oil 10⅜ 94	100	100⅛	0	10.21
Gulf Oil 12⅜ 87	100	101½	−0⅛	11.39
GZB 14 91	100	110	+3⅜	11.60
Holl Air Fin 12¾ 91	100	103⅜	−1	11.35
Household Fin 11⅜ 92	100	102⅜	+1½	11.06
IBM 9⅜ 88	200	99⅜	+0⅛	9.75
IBM (WTC) 10⅜ 89	300	100⅞	0	10.03
IBM Credit 11 89	100	104	−0⅛	9.81
IBM Credit 13⅞ 87	100	102½	−0¼	13.16
IBM 12¾ 92	200	107⅜	−0½	10.66
Ind Bk Japan 10⅜ 92	100	103⅞	+0⅛	9.89
Ind Bk Japan 10⅞ 95	100	104⅛	+2⅛	10.06
Ind Bk Japan 11½ 89	125	104⅛	−0⅛	10.06
Ind Bk Japan 11⅞ 91	100	107⅛	−0⅛	10.13
Ind Bk Japan 13⅞ 91	125	113⅜	−0⅛	10.69
Int-Amer Dev 12⅜ 91	150	109⅛	+0⅛	10.87
Int-Amer Dev 11⅜ 94	200	105⅛	−0⅞	10.99
Int Paper 12 91	75	104⅛	−0⅛	10.90
Int Stand Elec 0 97	112	75⅜	+0⅛	12.33
Int Stand Elec 12 96	75	101⅜	+0⅛	11.67
ITT 11½ 89	125	103⅞	−0⅛	10.32
ITT 12⅜ 94	100	106⅛	−0⅛	11.26
Japan Airlines 12½ 94	70	111⅛	−0⅛	10.49
Japan Dev Bk 11⅞ 91	100	104	+0⅛	11.20
Kellog Co 10⅞ 90	100	102⅛	0	10.23
Kellog Co 11¾ 92	100	103⅛	+0⅛	10.53
Kimberly-Clark 12 94	100	107½	+0⅛	10.67
Kyowa Fin HK 12⅝ 90	100	108⅛	+0⅛	10.54
Long Term Cred 10⅜ 90	100	101⅛	−0⅛	10.37
Long Term Cred 11 90	100	102⅛	−1	10.31
Long Term Cred 11⅞ 89	100	104⅜	−0⅛	10.30
Long Term Cred 12 90	75	104⅞	−0⅛	10.62
Long Term Cred 12 93	100	107	0	10.57
Macy R H 11⅜ 91	100	104½	−0⅛	10.60
Macy R. H. 11⅜ 95	100	103⅛	−0⅛	11.07
Marubeni 11⅜ 91	100	98½	0	11.68
McDonalds Fin 11⅜ 94	75	105	+0⅛	10.92
Merrill Lynch 12½ 94	100	104	+2½	11.75
Minebea 6⅞ 89	100	117	−0⅛	1.45
Mitsubishi 5⅜ 88	100	95	+2	7.45
Mitsubishi Cp 10½ 92	100	99	−0⅛	10.69
Mitsubishi Cp 10⅜ 95	200	98⅞	+1⅛	10.80
Mitsubishi Cp 12½ 91	100	110⅛	−0⅛	10.11
Mitsui Eng 7⅜ 88	60	101	−0⅛	6.89
Mitsui Fin 12⅜ 92	100	101½	+0⅛	11.96
Mitsui Tst Fin 12 91	100	105½	0	10.64
Mobil Corp 10⅜ 90	200	101⅛	+0⅛	9.87
Montreal City 12½ 91	70	107⅛	−2	10.71
Mgn Guaranty 12⅜ 89	150	106⅛	−0⅛	10.21
Morgan J P 11⅜ 92	100	102½	+0⅛	10.67
Mount Isa Fin 13⅜ 87	100	106⅛	−0⅛	10.14
Ned Gasunie 11⅜ 90	75	104⅛	+0½	10.06
Ned Gasunie 11⅜ 91	75	103⅛	+0⅛	10.47
N Engl Lt Mtg 11⅜ 95	149	104⅜	−0⅞	10.92
Newfoundland 13 91	75	107⅞	−0⅛	11.08
Nippon Crd Bk 13⅞ 89	100	110⅞	−0⅛	10.43
Nippon Tel Tel 11⅜ 90	100	105⅞	−0⅛	9.71
Nippon Tel Tel 13 13/16 94	150	106⅝	0	12.16
Nissho-Iwai 5½ 89	70	100	+3⅜	6.48
Nomura 6⅜ 88	100	186	−6½	−9.48
Nova Scotia 11⅜ 91	100	101⅜	+0⅛	11.27
Nova Scotia 11⅜ 98	100	108¼	+0⅛	10.73
Oester Post 12⅛ 89	75	106⅛	+0⅛	10.20
Ohbayashi-Gumi 7⅜ 89	50	129	−0⅛	0.08
Ontario Hydro 11⅜ 94	200	105⅜	−0⅛	10.40
Ontario Hydro 11⅜ 90	200	106⅝	+0⅛	9.98
Ontario 12½ 94	250	111⅜	−0½	10.71
Pacific Gas & El 12 00	75	102½	+0½	11.61
Penney J C 11⅞ 90	100	104⅛	−0⅛	10.82
Penney J C 12⅜ 91	100	108⅛	+0⅛	10.88
Philips Petrol 14 89	200	103⅜	+0⅛	12.71
Postipankki 11⅜ 90	75	101½	+0⅛	10.60
Post-Och Kred 13½ 87	50	106⅛	+0⅛	9.95
Privatbanken 12⅜ 95	100	0		
Prudential Ins 12⅜ 87	150	106	0	9.65
Pru Rlty Secs 0 89	385	23½	0	11.28
Pru Rlty Secs 11⅞ 92	385	104⅛	−0⅛	10.96
Pru Rlty Secs 12⅛ 95	546	106⅛	−0⅛	11.02
Quebec Prov 12⅜ 94	150	106½	−1⅛	10.93
Queensland Gvt 11⅜ 89	100	103⅞	−0½	10.21
RBC 12⅜ 90	100	102⅛	+1⅛	12.03
Rural Bk Aust 12 91	50	102⅞	+0⅛	11.26
Sanwa Bk 11⅞ 92	150	104⅛	−0⅛	10.81
Saskatchewan 10⅜ 92	100	101⅛	+0⅛	10.48
Saskatchewan 10⅜ 90	125	102½	−0⅛	10.03
Saskatchewan 11⅞ 89	100	106⅜	+0⅛	10.00
Saskatchewan 15 92	150	118½	−0⅛	10.91
Saskatchewan 16 89	125	116⅞	+0⅛	10.26
Scot Int Fin 14⅜ 98	50	115⅜	+0⅛	11.71
Sears O/S Fin 0 98	500	24½	−0⅛	11.39
Sears Roebuck 10½ 91	150	100⅛	−0⅛	10.46
Sears Roebuck 11⅜ 91	150	105⅞	0	10.16
Sec Pacific 12 92	100	104⅜	−0⅛	10.93
Shearson/Amex 12⅜ 94	100	104⅜	+0½	11.24
Shell (Canada) 14⅜ 92	125	112⅜	+0⅛	11.64
Signal Comps 11⅜ 92	125	102⅛	−0½	11.17
Standard Oil 10½ 89	150	100½	−0⅛	10.28
Statoil 12 88	100	105⅜	0	9.63
Sumitomo Corp 10⅜ 92	100	99⅛	−0⅛	10.79
Sumitomo Fin 11⅜ 92	150	104⅞	−0⅛	10.67
Sumitomo Fin 12⅜ 91	150	108⅛	−0⅛	10.76
Sumitomo Trust 12½ 92	100	106	0	11.14
Sweden 11½ 89	200	104⅛	0	10.19
Sweden 12⅜ 89	200	106½	+0⅛	10.21
Swedish Export 10⅜ 94	100	102⅛	+0⅛	10.35
Swedish Export 11½ 89	100	103⅜	0	10.16
Swedish Export 12⅜ 89	100	0		
Taiyo Kobe 11⅞ 90	100	103⅛	−0⅛	10.82
Taiyo Kobe 12 90	100	105½	−0⅛	10.59
Tenneco Intl 11½ 89	150	102⅛	−0⅛	10.48
Texaco Capital 10½ 90	200	99½	+0⅛	10.59
Texaco Capital 10½ 93	200	100⅛	+0⅛	10.41
Texaco Capital 13½ 89	200	109⅛	+0½	10.62
Texas Instru 11⅞ 91	150	103⅜	−0⅛	10.96
Tokai Asia 12⅜ 91	100	106⅛	0	10.87
Tokyo Electric 6½ 89	70	0		
Tokyo Electric 13⅜ 89	100	109⅛	+0⅛	10.32
Toray Inds 11⅛ 92	50	97⅜	+0⅛	11.60
Toronto-Dom 12⅜ 89	50	105⅛	−0⅛	10.81
UBS 12⅜ 91	100	104⅜	0	11.22
Utd Tech 11⅜ 92	150	103⅜	0	10.51
Veba 8 93	70	126	+5½	4.27
West LB 11⅞ 90	100	104⅜	+0½	10.74
Westpac 12⅜ 92	100	106	+1⅛	11.25
Weyerhaeuser 11½ 90	60	101⅜	+0⅛	11.02
World Bank 11 92	300	102½	−0⅛	10.43
World Bank 11⅛ 90	200	103⅜	−0⅛	10.27
World Bank 11⅜ 89	200	104⅛	0	9.87
World Bank 12 93	200	106⅛	+0⅛	10.44
World Bank 12⅜ 94	150	109⅛	+0⅛	10.62
World Bank 12⅞ 94	200	112⅛	−0⅛	10.72
Yasuda Trust 12⅜ 89	100	105⅛	−0⅛	10.54

FLOATING RATE NOTES	Issued	Price	Chg. on week	C.cpn
African Dev Bk ⅛ 96	100	100	0	8⅜
Arab Bank Cpn ¼ 96	100	100⅛	0	10 1/16
Banca Lavoro ¼ 91	100	100⅜	0	9⅛
Banco di Roma ¼ 91	150	99⅜	−0⅛	7 13/16
Bnco di Roma ⅛ 92 CU	75	99½	0	10 5/16
Bankers Tr NY ⅛ 94	200	100⅛	0	7⅞
Bank of Greece ¼ 94	150	98⅞	0	9 5/16
Bank Montreal ⅛ 94 £	100	100	+0½	13⅛
Bqe Nat Paris ⅛ 88	400	101½	0	10 7/16
Bqe Nat Paris ⅛ 89	250	100⅛	0	8 15/16
Bqe Nat Paris ⅛ 96	250	100⅛	0	9⅛
Barclays O/S ⅛*	600	100⅛	0	9⅛
BBL ¼ 95	100	100½	−0⅛	8 5/16
BBL ⅛ 99	100	100⅛	0	9⅜
BCI ⅛ 96	300	100	0	9⅞
BFCE ¼ 87	400	100⅛	0	9 11/16
BFCE ¼ 88	500	100⅛	0	9⅛
BFCE ⅛ 99	600	100⅛	0	10 1/16
Belgium 1/16 04	400	100⅛	0	9⅜
CCCE ⅛ 05	200	100	−0⅛	8⅜
CEPME ½ 96 £	100	100⅛	0	12 11/16
Chase Manhattan ⅛ 09	400	99⅞	0	7 11/16
Chemical NY 1/16 99	300	101¼	0	7 11/16
Citicorp O/S ⅛ 91 £	100	99⅛	0	12⅜
Citicorp Psn Psn ¼ 97	250	100	0	8 11/16
Commerzbank ⅛ 89	150	100⅛	−0⅛	8⅜
Creditanstalt 1/16 96	150	100⅛	+0⅛	9 15/16
Credit Comm ⅛ 96	250	100⅛	0	9 11/16
Credit Foncier ⅛ 00 £	100	100⅛	0	13½
Cred Lyonnais ⅛ 96	300	100⅛	0	8 1/16
Cred Lyonnais ⅛ 99	250	100⅛	−0⅛	8⅜
Credit National ⅛ 95 £	100	100⅛	0	12 9/16
Dai-Ichi Kangyo ⅛ 98	150	100⅛	0	8 11/16
Denmark ¼ 90	250	100⅛	−0⅛	9 7/16
Denmark 0 99	200	99⅛	0	9 9/16
Denmark 1/16 90	600	100⅛	0	9⅜
EEC ⅛ 90	2bn	100⅛	−0⅛	9 7/16
Eldorado Nuke 0 89	100	100⅛	−0⅛	9 15/16
Elec de France ⅛ 95	300	100⅛	0	9½
Elec de France ⅛ 99	400	100⅞	0	10
ENEL ⅛ 93 £	100	100⅛	−0⅛	12⅜
Exterior Intl ⅛ 96	125	99½	−0⅛	7⅞
Ferro del Stat ⅛ 99	250	100⅛	0	10 1/16
Fiat Finance ⅛ 94	100	99⅜	0	8⅞
First Chicago ⅛ 94	100	99⅞	0	9 5/16
First Chicago 1/16 97	150	99⅜	−0⅛	8 15/16
Ford Motor Cr ⅛ 91	200	100⅛	0	9 15/16
GW O/S Fin ⅛ 94	100	99⅜	+0⅛	10⅛
Grindlays ⅛ 94	100	100⅛	0	8⅞
INI 1/16 00	150	0		
Interfirst Tex ⅛ 89	100	97⅜	0	8 9/16
Ireland ⅛ 93 £	60	100⅛	+0⅛	12 13/16
Ireland 1/16 94	300	100⅛	0	9⅛
Ireland ⅛ 96 £	100	100	−2	12⅜
Ireland ⅛ 97	300	100⅛	0	10 1/16
Italy ⅛ 94	1bn	100½	0	8⅞
Italy ⅛ 99	500	100⅛	−0⅛	10 5/16
Kleinwort Benson ⅛ 96	100	100½	0	10⅛
Korea Exch Bk ⅛ 94 £	100	0		
Lincoln S & L ⅛ 99	100	99⅞	0	8⅜
Malaysia ⅛ 93	850	100⅛	0	9 5/16
Malaysia ⅛ 09	600	99⅞	0	7 15/16
Man Hanover ⅛ 94 £	75	98⅞	−0½	12⅜
Marine Midland ⅛ 94	125	100⅛	0	9⅞
Marine Midland ⅛ 96	125	99⅞	0	7⅜
Marine Midland 1/16 09	150	100	−0⅛	8
Mellon Bank ⅛ 96	250	100⅛	0	8
Midland Intl ⅛ 99	200	100⅛	+0⅛	10 7/16
Mitsui Fin ⅛ 96	100	100	0	10⅛
Morgan Grenfell ⅛ 94	50	99⅜	0	[illegible]
Mtg Intermed ⅛ 10 £	50	100	0	13 1/16
Nat Bk Canada ⅛ 91	50	100	0	9⅛
Nat Bk Detr ⅛ 96	100	99½	0	9½
Nat West Fin ⅛*	500	100⅛	−0⅛	9⅜
Neste Oy ⅛ 94	100	100⅛	−0⅛	10
New Zealand ⅛ 87	350	100½	0	9⅜
NZ Steel Corp ⅛ 92	300	100⅛	0	9½
Oster Ln Bk ⅛ 98	100	100⅛	0	9⅜
Oko Bank ⅛ 92	50	98⅞	+0⅛	7 15/16
Portugal ⅛ 92	100	99⅞	0	9⅞
Quebec Hydro ⅛ 94	200	99⅜	−0⅛	9 5/16
Queensland Coal ⅛ 96	355	100⅛	0	9
Renfe ⅛ 91	100	100½	0	10 5/16
Sanwa Intntl ⅛ 92	150	100	0	9 5/16
SEAT ⅛ 93	100	100	−0⅛	8 5/16
Security Pacif 1/16 97	250	99⅜	0	9 5/16
Skopbank ⅛ 94	75	0		
SNCF ⅛ 93 £	75	100⅛	+0⅛	12⅞
Soc Generale ⅛ 95	250	100⅛	+0⅛	10 7/16
Soc Generale ⅛ 94	250	100⅛	0	10 5/16
Spain ⅛ 93	200	100⅛	−0⅛	10 5/16
Spain ⅛ 97	250	100½	0	10
Standard Chart ⅛ 94	200	100⅛	0	9½
Sumitomo Tst ⅛ 94	100	100⅛	0	9 9/16
Sweden ⅛ 99	500	99½	+0⅛	9½
Sweden ⅛ 03	1bn	100⅛	−0⅛	8⅜
Sweden ⅛ 05	700	99⅜	0	9 7/16
Sweden ⅛ 24	500	100⅛	0	10 1/16
Sweden ⅛*	750	100⅛	0	9 7/16
Tokai Asia ⅛ 99	150	100⅛	+0⅛	8⅜
Toyo Trust Asia ⅛ 98	100	100⅛	+0⅛	8
TVO Power ⅛ 04	100	98⅜	−0⅛	7⅜
Union Bank-Norw ⅛ 99	50	0		
Wells Fargo 1/16 96	50	99½	0	8 7/16
World Bank 1/16 94	250	98⅜	0	7 13/16
Yorkshire Int ⅛ 94 £	75	99⅞	0	13⅛

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
Ajinomoto 3 99	120	98⅜	−1⅜	
Bost Denki 5⅞ 97	15	147	+6⅞	−11.56
Canon 7 97	50	197¼	−6⅞	−1.03
Daiwa Secs 5½ 98	60	194½	+3⅛	1.37
Dev Bank Sing 5½ 98	70	75	−1	8.49
Elders 11⅛ 94	160	103½	−0⅛	46.47
Elektrowatt 6 98	62	93	+1⅛	12.42
Fujitsu 3 99	180	83⅛	−3⅛	7.14
Intec Inc 3 99	50	63⅛	−5	16.28
Kumagi Gumi 3½ 00	80	115⅞	+5	7.14
LASMO 9⅜ 99	45	95	−1	−2.67
Moet-Hennessey 7 99	50	106⅛	−0⅛	4.24
Murata Mfg 3½ 00	100	93	−6⅛	4.93
Nippon Oil 3⅛ 99	50	92	+2	4.80
Ono Pharm 3⅜ 98	60	89⅜	−12	16.00
Soc Gen Surv 4½ 94	51	106⅛	−0⅛	133.50
Sumitomo Corp 2⅞ 99	70	119⅜	+1⅛	1.72
Texaco Capital 11⅞ 94	1bn	105⅛	−1	38.78
Texaco Capital 11⅜ 94	500	106⅛	−0⅛	40.10
Tsugami Corp 3⅜ 00	20	78	−7	−67.92
Yamaichi Sec 3⅜ 95	20	142⅜	+11	−6.55

YEN STRAIGHTS	Issued	Price	Chg. on week	Yield
Asian Dev Bk 7⅜ 94	15	101⅞	+0⅛	7.07
Avon Products 6⅜ 91	25	98	+0⅛	7.15
Denmark 6⅜ 92	20	98⅜	+0⅛	7.01
Dow Chemical 7 94	50	100½	+0⅛	6.92
Eurofima 7⅜ 94	10	101⅞	+0⅛	7.07
Eurofima 6⅜ 92	10	98⅜	+0⅛	6.98
FNMA 6⅞ 92	50	99⅜	+0⅛	6.99
GMAC 6½ 90	25	99⅛	+0⅛	6.68
Intel 6⅜ 92	13	97⅛	+0⅛	7.13
IADB 7½ 94	15	103	+0⅛	7.04
IADB 7⅞ 93	15	104⅜	+0⅛	7.11
ITT 6⅜ 92	20	97⅜	0	7.20
McDonald Corp 6½ 92	25	98⅜	+0⅛	6.73
New Zealand 7⅛ 90	15	101⅜	+0⅛	6.72
New Zealand 7⅛ 89	15	103½	+0⅛	6.74
Pacific Gas & Elec 7 94	20	100⅜	+0⅛	6.96
Penney J C 6⅜ 92	25	98⅜	+0½	7.05
Proctor 6⅜ 92	25	99	+0⅛	6.81
Sallie Mae 6⅜ 92	25	99⅛	+0⅛	6.96
TRW 7 94	15	99⅜	+0½	7.03
Utd Technology 6⅜ 92	25	99½	+0⅛	6.91
World Bank 7 94	20	100⅜	+0⅛	6.90
World Bank 7⅜ 93	20	104	+0⅛	6.97
World Bank 8 93	20	106⅛	+0⅛	6.93

LUXFR STRAIGHTS	Issued	Price	Chg. on week	Yield
ASEA 9⅜ 89	600	103⅛	+0⅛	8.81
Eurofima 10 94	600	104	0	9.32
E Coal & Steel 10½ 94	1bn	105½	+0⅛	9.36
Euro Invest Bk 10½ 94	1bn	106½	0	9.53
World Bank 10⅜ 89	1bn	105⅞	−0⅛	8.44

GUILDER STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 8 89	200	103⅞	0	6.72
ABN 7⅜ 89	150	102½	−0⅛	7.15
Amro Bk 7⅜ 89	150	101⅛	0	6.90
Amro Bk 8 89	200	103⅞	−0⅛	6.77
Beatrice Foods 8⅜ 89	100	104⅜	0	6.86
C C Rabo 8 99	150	104⅛	−0½	6.72
Denmark 8½ 91	100	104⅜	+1⅛	7.60
Int Stand Elec 8½ 89	100	103⅜	−0⅛	7.27
New Zealand 8⅜ 89	100	104⅜	+0⅛	6.97

CANADIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Amex 12⅜ 91	50	105⅛	−1⅛	11.04
Aust Resources 11⅜ 92	80	99⅞	−0⅛	11.82
Bank of Tokyo 10⅞ 92	75	99⅞	0	10.88
Bqe l'Indosuez 14 91	75	107⅞	−⅛	12.11
Br Col Munic 12⅜ 91	100	105⅜	−0⅛	11.06
Br Col Munic 13½ 91	100	108	−0⅛	11.58
Br Col Tele 12⅜ 89	70	102⅜	−0½	11.81
Denmark 11⅜ 91	100	101⅜	+0⅛	11.15
Farm Cred Corp 12⅜ 90	75	107⅜	−1	10.27
Kredietbank 12 92	75	101⅜	0	11.57
Long Term Cred 11⅜ 90	75	102⅞	0	10.87
Montreal City 12⅜ 91	50	106⅛	−0⅛	10.74
New Brunswick 12 95	75	102⅛	−0⅛	11.48
Nova Scotia 11⅜ 95	100	100⅜	+0⅛	11.47
Quebec Hydro 14 91	75	109⅞	+0⅛	11.63

ECU STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 9½ 92	100	102⅛	−0½	9.07
Australia & NZ 10⅜ 91	50	104⅜	0	9.70
Austria 10⅜ 93	100	107⅛	−0⅛	9.25
BFCE 9⅜ 92	75	101⅜	−0⅛	9.36
Cred National 10⅜ 94	50	105⅜	−0⅛	9.41
Cred National 11⅜ 91	50	109⅞	−0⅛	9.04
Denmark 10⅜ 91	75	105⅜	−0⅛	9.40
Ebco Intnl 10⅞ 89	55	104	+0⅛	9.48
EEC 10½ 91	60	105½	+0⅛	9.21
EEC 11 93	50	108⅛	0	8.86
EEC 11⅜ 91	50	106⅜	+1½	9.78
EEC 11⅛ 93	70	106½	+0⅛	9.48
Euro Coal & Steel 6 94	60	114⅛	+0⅛	9.40
Euro Invest Bk 9⅜ 95	200	101⅞	−0⅛	8.94
Euro Invest Bk 10⅜ 94	100	104⅞	−0⅛	9.25
Euro Invest Bk 10⅜ 89	50	108⅜	−0⅛	8.30
Euro Invest Bk 10⅜ 94	100	106	+0⅛	9.90
Euro Invest Bk 11½ 92	75	160	+0⅛	9.90
Euro Invest Bk 11⅜ 93	50	108⅛	+0⅛	9.62
Euro Invest Bk 11⅜ 96	50	110⅜	−2⅛	9.86
Gen Finance 11 90	70	104⅜	−0⅛	9.78
Giro Vienna 10⅞ 93	80	106½	−0⅛	9.33
GTE Finance 10⅞ 92	50	107⅞	−0⅛	9.24
Ireland 10⅜ 95	50	103⅜	−0⅛	9.67
Italian Govt 10½ 92	600	103⅜	−0⅛	9.74
Italian Treas 11½ 90	60	105⅜	+7⅛	10.11
Kredietbank L 9⅜ 92	75	99⅜	−0⅛	9.51
Megal Finance 11⅜ 94	100	106⅜	+1⅜	10.11
Nippon Cred Bk 11 91	50	105⅛	+0⅛	9.73
Nordic Inv 6 94	50	113	+0⅛	9.44
Post Och Kred 10⅞ 92	50	103⅜	−0⅛	10.17
Royal Bk Can 10½ 89	85	105⅜	−0⅛	8.65
SNCI 10⅞ 94	60	107⅜	−0⅛	9.53
Swedish Export 11 89	58	102⅛	+0⅛	10.20
West LB 10⅞ 91	50	106	+7⅛	9.42
World Bank 10⅜ 88	100	105½	0	8.66

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Nat Aust Bk 12½ 89	40	97⅜	0	13.25
PIBA 12⅜ 89	80	98⅞	+0⅛	12.72
State Bk NSW 12⅜ 89	40	101⅜	−1⅜	11.65

STERLING STRAIGHTS	Issued	Price	Chg. on week	Yield
BAT Intnl 10⅜ 91	100	100	0	10.72
Denmark 10⅜ 89	75	98⅛	+0⅛	11.31
EEC 11⅜ 94	50	101⅜	+0⅛	11.02
Europarat 11⅜ 92	50	101⅛	+0⅛	11.08
Euro Invest Bk 10⅜ 92	75	99⅜	+0⅛	10.80
Finland 11⅞ 88	50	102⅛	+0⅛	10.97
Grand Met 10⅞ 90	50	97⅜	−0⅞	11.49
Int-Amer Dev 11⅜ 91	60	100⅜	+0⅛	11.16
Int Stand Elec 11⅜ 89	80	100⅛	−0⅛	10.77
Inv In Indust 11½ 91	50	0		
Ireland 11⅜ 94	50	99⅛	+0⅛	11.45
New Zealand 10⅜ 89	100	96⅞	+0⅛	11.66
SNCF 11⅜ 94	60	101⅜	+0⅛	10.93
World Bank 10⅜ 89	100	100⅜	+0⅛	10.65
World Bank 10⅜ 89	50	100⅛	+0⅛	10.55
World Bank 11 94	50	100½	+1	10.89

EQUITY WARRANTS	Expiry date	Price	Chg. on week	Prem.
Commerzbank DM	31/5/88	0		
Ciba-Geigy Int £	1/11/93	287½	−10	146.81
Credit Suisse	31/5/88	31⅜	+3	−1.08
Deutsche Bank DM	18/6/91	154	−47	−18.62
ICI Finance	1/6/90	354	+9	230.85
IC Industries	15/6/88	20⅛	+0⅛	−14.32
Jusco	22/12/88	73⅛	+0⅛	24.54
Minebea Co	20/2/89	34	+0⅛	73.08
Mitsubishi Cp	7/11/88	33	+5	13.43
Mitsui	10/12/87	21	−0⅛	3.62
Nissho Iwai	1/2/89	14⅛	+3⅛	22.11
Nomura Sec	31/10/88	78⅛	+6½	2.61
Siemens Wstn DM	31/5/90	0		
Swiss Bk Cpn	20/12/88	47⅜	+3	2.96
Toray Ind	5/7/87	14	+3⅛	7.53
Veba Int	15/12/93	0		

BOND WARRANTS	Expiry date	Price	Chg. on week	Ex. yield
Aegon Ins 11⅜ 91	14/2/88	20⅜	−7⅛	6.92
Coca-Cola 11⅜ 91	28/11/88	35	+3⅛	4.43
Commerzbk 11⅜ 89	17/7/88	99	+4⅛	−7.30
Du Pont 13⅜ 89	25/8/86	69⅛	−8⅛	−3.71
Eksportfinas 13⅜ 89	15/9/87	81½	+2⅛	−5.32
Gen Elec 12⅜ 91	7/8/87	57½	−6½	1.59
IBM Credit 13 87	19/8/85	64⅛	−1⅛	−11.24
Inv In Inds 10½ 91	1/12/88	0		
McDnlds F 11⅞ 94	8/1/89	27	−2	6.43
Oester Lnbk 13½ 89	9/8/87	76⅛	−0⅛	−4.65
Texaco Cap 12⅞ 92	1/8/87	60⅛	+4⅛	2.64
Xerox 13⅜ 87	15/8/86	56⅛	+6	−10.74

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.

FLOATING RATE NOTES: U.S. dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = current coupon.

CONVERTIBLE BONDS: U.S. dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

* Perpetual.

Closing prices on June 28.

CORPORATE FINANCE

Italian equities plug into the Euromarket

LEADING Italian private sector companies are planning to take advantage of the extraordinary boom on the Milan bourse and the rising credit rating of Italy to do something which would have been unthinkable as recently as 12 months ago.

They are offering Euromarket investors bond issues which are convertible into Italian domestic equities.

The trend was set in May when Pirelli, Italy's leading tyre and cables group, announced plans to launch (later this summer) L300bn of convertible Eurobonds. It has since emerged that Montedison, the Milan-based chemicals giant, is successfully placing L30bn of convertible bonds through Goldman Sachs and Daiwa Europe.

Last week CIR, Sig Carlo de Benedetti's Turin-based financial and industrial holding company (which owns, among other things, 13.7 per cent of Olivetti), disclosed plans for a September offering of an 80m *European currency unit (Ecu)* bond convertible into Milan-quoted shares, the first-ever such Eurobond issue.

The reasons behind the Pirelli, Montedison and Cir convertibles are threefold. Top Italian corporate names have *profoundly improved* their balance sheets over the past year or two and have a more confident international outlook. Such companies as Fiat, Olivetti, Pirelli or Snia-BPD are not only producing better profits and fully audited and consolidated accounts; they are also working hard to improve their debt:equity ratios.

Second, the Milan bourse has been experiencing a spectacular boom. Fuelled by significant foreign investor interest and by the funds available to the newly authorised Italian unit trusts, the Banca Commerciale Italiana (BCI) bourse index has risen by 47.7 per cent since January 2 of this year. Meanwhile, Consob, the stock market watchdog authority, is finally beginning to carry out its duties effectively.

Finally, following the Third *World debt crisis*, international investors have turned their attention back to good quality European risk, meaning that Italy is attracting significant interest and Italian state *borrowers have found a warm welcome* from the capital markets.

CIR, which had net income of L26.7bn on sales of L331.8bn in 1984, is the de Benedetti family's holding company. Aside from the Olivetti stake, CIR also owns 4 per cent of Pirelli, 20 per cent of Euromobiliare, the Milan investment bank, plus banking and engineering interests. CIR also employs 3,000 people in the manufacture of tobacco machinery, tanning and automotive filters.

The September Ecu issue will be offered on the Euromarket. There are plans to place up to 10 per cent of the bonds privately in the U.S. plus an unspecified portion in Japan.

Montedison, meanwhile, is raising L100bn through the offer of seven-year paper (paying 10 per cent fixed interest), convertible into *Milan-listed* shares of two subsidiaries — Selm, the energy company, and Meta, which holds a stake in Rizzoli, the publishing group.

Some L25bn of the bond, aimed at Italian small investors, sold out within hours of its *launch by Mediobanca in Milan* last Tuesday. The remaining L75bn is earmarked for institutional investors, of which Goldman Sachs is placing L30bn in Europe and the Far East.

The aim of the Montedison issue, as with CIR and Pirelli, is to use the proceeds to shift debt from short to long-term. Dr Lino Cardarelli, group finance director, said the goal was to achieve a 75-25 mix between medium and short-term debt on Montedison's L4,344bn total debt (as at last December). A new capital increase will take Montedison's capital to L1,110bn, but Dr Cardarelli acknowledges that this still leaves the group with a lop-sided debt:equity ratio which needs attention.

Nontheless, under the chairmanship of Sig Mario *Schimberni*, Montedison has been staging a radical reorganisation and last year cut losses dramatically. It is predicting a profit this year after many years in the red.

Foreign investor interest in Montedison shares is running high. Dr Cardarelli reports, and analysts estimate that up to 15 per cent of Montedison may already be in foreign institutional hands.

The true significance of these three relatively small bond offers is that foreign investors appear to be seriously interested in Italian corporate names and in a play on the Milan bourse.

Notwithstanding the increasingly sordid political squabble over the attempted privatisation of the IRI state holding group's SME foods company, which is seen as an embarrass*ment by most Italian business*men and bankers, the Italian private sector does seem capable of raising funds on the international capital market.

Alan Friedman

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
Viacom Intnl. §‡	50	2000	15	7¼	100	CSFB	7.250
Kyotaru §‡	30	1995	10	3½	100	Nomura Int.	3.500
Tokyu Dept. Stores ¶‡	50	1990	5	7⅛	100	Nomura Int.	7.125
BSN §‡	75	2000	15	6¾	100	CSFB	6.750
Man. Hanover (a)Ø†‡	100	1997	12	⅛	100	Merrill Lynch	–
B. Naz. Lavoro (a)Ø†‡	100	1992	7	⅛	100	Salomon Brothers	–
Nat. Australia Bk (b)Ø†‡	100	1997	12	⅛	100	Salomon Brothers	–
NTT ‡	100	1992	7	10	99¾	Morgan Guaranty	10.051
Trio-Kenwood §	35	1995	10	(3¼)	100	Nomura Int.	*
Italy (c)Ø†‡	300	1997	12	¼	100	BoA Int.	–
NMB (d)Ø†‡	100	1992	7	¼	100	S.G. Warburg	–
Wells Fargo (e)Ø†‡	100	1997	12	¼	100	Goldman Sachs	–
Fortune Fed. S&L (f)†‡	100	1992	7	⅛	100	CSFB	–
Statoil ‡	170	1990	5	10	100¼	Deutsche Bank	9.934
Barclays Bank ‡	250	1990	5	10⅛	100⅛	Barclays Merchant Bk	10.092
Mitsubishi Bank §	100	2000	15	(3)	100	Mitsubishi Fin. Int.	*
Rockwell Int. ‡	200	1990	5	9⅞	99⅛	UBS (Secs)	10.040
Taiyo Kobe Bank (a)Ø†‡	100	1997	12	⅛	100	Salomon Brothers	–
Tokyo Elec. Power ‡	100	1992	7	10¼	100¾	County Bank	10.095
Middletown Trust ‡	60	1993	5	10½	100	CSFB	10.500
Middletown Trust ‡	102.8	1998	11	10⅞	100	CSFB	10.875
Middletown Trust ‡	37.2	2010	21	0	100	CSFB	11.750
CANADIAN DOLLARS							
Southland Canada ‡	50	1992	7	12	100½	Orion Royal Bank	11.891
AUSTRALIAN DOLLARS							
New Sth Wales Treas. ‡	50	1992	7	12⅞	100⅜	Bankers Trust Int.	12.791
Midland Int. Aus. ‡	50	1990	5	13⅝	100⅛	Bankers Trust Int.	13.339
UFC Finance ‡	50	1990	5	13	100⅝	Orion Royal Bank	12.823
NEW ZEALAND DOLLARS							
Toronto-Dominion Bk ‡	50	1988	3	16⅛	100	Goldman Sachs	16.125
D-MARKS							
Inter-Cont. Rubber ‡	150	2000	15	0	36.5	Deutsche Bank	6.950
BHF-Bank Fin. ¶‡	150	1995	10	7	115	BHF-Bank	5.052
World Bank **‡	200	1990	5	7	100⅜	Commerzbank	6.909
SWISS FRANCS							
Gunze Sangyo **§‡	25	1990	–	1⅝	100	Swiss Volksbank	1.625
Hanwa Co. **§‡	140	1990	–	1½	100	Banca del Gottardo	1.500
Japan Fin. Corpn. ‡	100	1995	–	5½	100¼	Credit Suisse	5.467
United Tech. **‡	75	1990	–	5⅛	100	UBS	5.125
Sumitomo Chem. **‡	100	1990	–	5⅝	99¾	SBC	5.684
IADB	100	1995	–	(5⅞)	*	Credit Suisse	*
IADB	100	2005	–	(6⅛)	*	Credit Suisse	*
NatWest Bank ¶	300	1995	–	(4⅞)	*	Handelsbank	*
Nippon Zeon **§	70	1990	–	(1⅝)	100	Credit Suisse	*
NTT	150	1995	–	(5⅝)	*	UBS	*
Ferrovia d'Stato (g)†	100	1993	–	⅛	100	Bqe Gutzwiller, K.B.	–
Okumura Corp. **§	30	1990	–	(1¾)	100	Handelsbank	*
ECUs							
C. Itoh ‡	60	1992	7	8¾	100	Banque Indosuez	8.750
Union Bk Finland ‡	15	1992	7	9¼	100	BIL	9.250
Kyushu Elec. Power ‡	60	1991	5¼	9	100	Nikko Secs. (Eur)	9.000
Nippon Metal Ind. ‡	20	1990	5	9	100	Banque Paribas	9.000
Club Med. ‡	50	1988	3	9	100	Banque Paribas	9.000
STERLING							
Credit Foncier ‡	100	2014	27½	10¼	89.596	Baring Brothers	11.580
FRENCH FRANCS							
Michelin §	500	2000	14½	(7–7½)	100	Lazard Freres, CSFB	*
BELGIAN FRANCS							
EIB ‡	4.5bn	1995	10	10½	100¼	Generale Bank	10.459
LUXEMBOURG FRANCS							
EIB **‡	300	1991	6	9¼	100½	Cr. Lyonnais Lux.	9.138
Soc. Generale **‡	300	1990	5	9¼	100⅜	Sogenal Lux.	9.153
Mgn Guaranty **‡	300	1990	5	9⅛	100	BGL	9.125
Den Danske Bk **‡	300	1990	5	9¼	100¼	Bqe Paribas Lux.	9.185
Ind. Bk Finland	600	1995	9½	9¼	(100)	Kredietbank Int.	*
YEN							
BFCE ‡	40bn	1995	9	6.7	99.55	Nomura Secs.	6.763

* Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. Ø Maximum coupon. (a) ⅛ over 3m Libid. (b) ⅛ over 6m Libid. (c) ¼ over 6m Libid – mis-match. (d) ¼ over 6m Libor. (e) ¼ over 3m Libor. (f) ⅛ over 3m Libor. (g) ⅛ over 6m Libor. Note: Yields are calculated on AIBD basis.

Commercial paper issue by Thai Oil

By Boonsong K'Thana in Bangkok

THAI OIL REFINERY Company (TORC) has become the country's first borrower to enter the comercial paper market in the U.S.

A group of five banks has supported the $50m offering as part of Torc's short-term fund-raising programme.

The five managers are Mellon Bank, Security Pacific, Bank of Nova Scotia, Grindlays, and Thailand's Siam Commercial Bank. Mellon Bank has provided a letter of credit and Goldman Sachs is acting as commercial paper dealer.

The paper has been rated "prime-1" by Moody's

Merrill in Korea

Merrill Lynch of the U.S. and Ssangyong Securities, a South Korean broker, have signed an agreement to co-operate in developing business in Korea and in international capital markets. The agreement covers investment banking, brokerage, research and training and breaks a pattern set in other recent co-operate in developing business in Korea and in international capital markets.

Grundig proposes to cut jobs in Portugal

BY JOHN DAVIES IN FRANKFURT

GRUNDIG, the West German audio video concern, is planning to cut about 1,000 jobs at its factory in Portugal as part of restructuring efforts.

The company has been looking closely at all its factories in West Germany and abroad since coming under the management control of Philips of the Netherlands more than a year ago.

It has now made clear that production of television sets will be reduced at its works in Braga, Portugal, and the number of employees will be cut from 3,200 to 2,200.

Grundig has also put workers on short time at its television works at Barcelona in Spain, as a result of increasing competition and pressure on prices in the local consumer electronics market.

It has already been operating short time working at its Rovereto plant in Italy, which has been suffering from a shortage of orders.

The number of employees at Grundig's West German and foreign plants has been steadily falling from a peak of 38,460 in 1979 to below 24,000.

Grundig recently proposed nearly 3,000 dismissals in West Germany, but under a plan subsequently agreed with union officials, it is offering to help finance retraining for workers as well as other measures.

The company has given a commitment that production will continue at its plant at Georgensgmuend in West Germany, but has said some of the 650 jobs there must go. It also recently committed itself to keeping its Vienna factory in operation.

Grundig has already announced that it expects to report a much reduced loss of DM 185m ($61m) for the year ended March 1985 compared with DM 286m previously.

But Mr Hermanus Koning, the Dutch chief executive sent in by Philips, has stressed that further measures will be necessary to ensure the company's viability.

At the same time Grundig is pushing ahead with a new joint venture with United Technologies of the U.S. to produce electrical cable and other parts for motor vehicles.

Grundig has a 25.1 per cent stake in a company formed recently for this purpose, while a United Technologies subsidiary has a 74.9 per cent stake. Production is due to start shortly at Beyreuth in Bavaria.

Times Mirror buyback

BY OUR NEW YORK STAFF

THE Los Angeles-based Times Mirror newspaper publishing group is to spend up to $450m to acquire as many as 7.5m of its own shares, or 10.4 per cent of the group's outstanding equity, at a price of $60 a share. On Friday, the shares closed at $53⅞.

No explanation of the company's decision was given in the brief announcement of the plan. But the move follows similar steps by many other U.S. groups, which have launched share buyback programmes to make themselves less vulnerable to takeover offers by raising their share price and increasing debt.

Last year, Times Mirror achieved earnings of $212m, or $3.00 a share, on sales of $2.8bn.

U.S. insurer in Japan

BY CARLA RAPOPORT IN TOKYO

MUTUAL and United of Omaha, one of the world leaders in private health insurance, has decided to set up in Japan. Mutual will be the first foreign health insurer to start operations in Japan for four years.

The company said there was a growing need for private health care in Japan as the country's comprehensive state health care scheme continues to be squeezed by government spending constraints.

"Our intention is to create a Japanese company for Japanese people. Rather than go forward with what worked well in the U.S., we have developed a programme for what is needed here," said Mr Bob Collins, executive president for international development.

TECHNOLOGY

EDITED BY ALAN CANE

Marconi turns some of its swords into ploughshares

BY GEOFFREY CHARLISH

IN THE face of stagnating demand in its traditional military markets for instrumentation, simulaion and test equipment, Marconi Instruments' Scottish establishment has been working hard to apply the know-how acquired in these areas to commercial products.

The effort is paying off. Already this year it has won £7m in civilian orders, about 30 per cent of sales at its plant in Donbristle, Fife. More than 1,300 people are employed there, double the 1980 figure.

Mr Roy Titchmarsh, general sales manager, says military spending is static, with much of it going to the Trident programme.

Dr Saul Lanyado, general manager, who recently joined the GEC subsidiary from Ciba Geigy's Ilford photographic company, aims to raise the share of civilian products to 50 per cent in the next few years.

He hopes to do this by exploring new markets for software-based products like simulators for teaching train drivers and expert systems, in which specialised knowledge is held in a computer for use by non-experts.

The company has just won a contract — against strong Japanese competition — to supply a three-cab driver training simulator to the Mass Rapid Transit Company in Singapore.

The expertise came from Marconi's long experience in simulating the crew working environment in Nimrod aircraft. This is a maritime reconnaisance aircraft equipped with costly sonar, radar, communications and weapons systems. It is expensive to fly, and in the simulator the crew experiences the events and conditions of an actual mission—at a fraction of the cost.

In the much simpler railway train system, the trainee, sitting in a duplicated driver's cab, has a forward view of the track which speeds up, slows down or stops according to his use of the motor control and brake levers.

Track images held on videodisk are projected at appropriate speed on to a screen the trainee views through the cab window. Cab indicators like motor current and automatic train control are appropriately activated.

Outside the training cubicle the instructor can test the trainee by introducing faults and emergencies using his own console and a TV monitor. The trainee driver's actions are all logged — even his effectiveness in economising on power.

Marconi thinks train simulators are likely to prove popular in countries with little experience of railways and where it is difficult, expensive or perhaps dangerous to train drivers on the track itself. Its first system, sold to South Korea, is in use in Seoul 16 hours a day and has trained 500 drivers.

Another new area at Donbristle is expert systems. An initial £100,000 contract, from Allen and Hanbury, the pharmaceuticals company, was for the development of a system for training in the diagnosis and treatment of asthma.

Based on the IBM personal computer, the system uses a touch sensitive monitor and a video disk player that holds pictures and data. The two key features of the software are an information database, or knowledge store, built up by a panel of asthma experts, and an "inference structure." These allow the machine to draw conclusions from the case details entered during a question and answer session between the trainee and the system.

If the question is not understood, a "help" box is touched

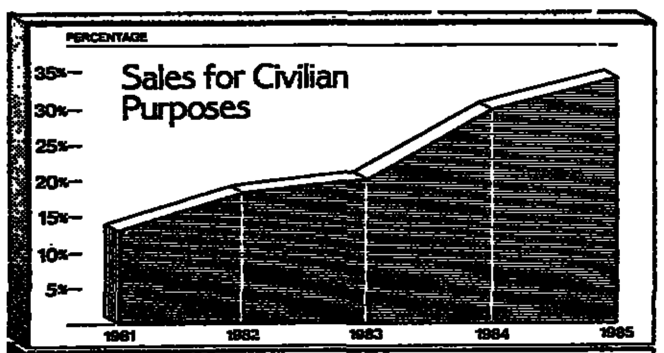
Saul Lanyado: Search for new markets.

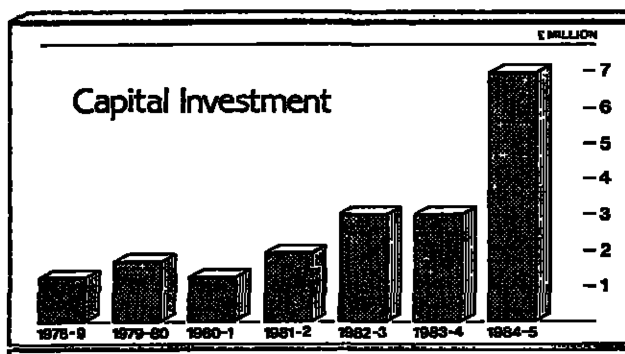
and the software chooses the appropriate 30-second video presentation from a collection of 15 held on the videodisk. Most of these are short films of actual consultations on the same subject.

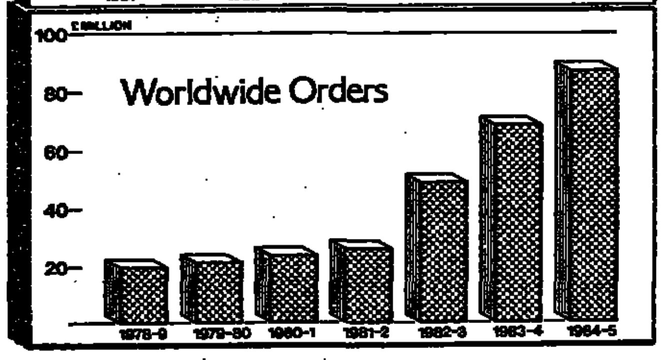
When all the questions are answered, the software will determine if the notional patient represented by the trainee's input has asthma and to what extent. A summary of the input data that led to these conclusions and a course of treatment is displayed on the screen.

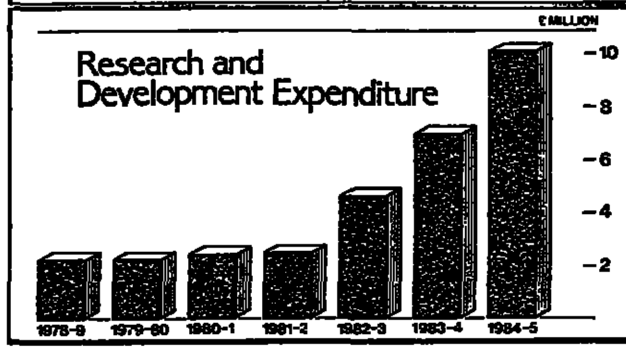
Five of the systems, known as Adept, are being provided by Allen and Hanbury for UK teaching hospitals, free of charge.

Adept is another example of the transfer of military technology to civil use by Marconi—the company has many years' experience of using computer-based systems to train servicemen in the use of electronic systems.









Star Wars lasers will help in treatment of blocked arteries

Peter Marsh looks at excimer lasers

EXCIMER LASERS, a relatively new device favoured by Star Wars planners as a means of shooting down missiles, could have a far more mundane use—making micro-circuits and treating people with blocked arteries.

Under the $26bn U.S. Strategic Defence Initiative, the Pentagon is funding several groups to examine how excimer lasers could help defend the West against nuclear attack.

Helionetics, a company in San Diego, California, is, meanwhile, concentrating its efforts on using the lasers in materials research and medicine.

Excimer lasers require mixtures of two types of gas, a halogen such as fluorine and an inert gas such as argon or xenon. When the two combine under the stimulus of electric power, the result is pulses of light rays that are coherent, that is, they all have the same wavelength.

One advantage of excimer lasers is that they produce beams in short pulses of a fraction of a second in which the high quantity of energy can be stored. Many other lasers, in contrast, produce radiation in a continuous stream—much like the flow of light rays from the sun.

A second attribute is that excimer radiation is at a relatively short wavelength, at 157 nanometres (one-billionth of a metre), which is in the ultraviolet section of the electromagnetic spectrum.

As a result, the radiation can be used to define patterns in which adjacent lines are very close together. Such high-resolution optical systems could feature in semiconductor manufacture, in which dense circuitry patterns are printed on to wafers of silicon.

Several materials and electronics enterprises have bought excimer lasers from the San Diego company, which is considered a world leader. Helionetics says its customers wish to keep their activities secret.

In semiconductors, researchers have speculated that the widespread use of excimer lasers could make the production of chips far simpler. In defining patterns onto silicon, ultraviolet light from a conventional source such as a lamp is normally used.

The laser beam, in contrast, could be of higher energy. It would also concentrate all its rays into a single wavelength.

In conventional semiconductor manufacturing, layers of materials called resists have to be deposited on the silicon which are chemically transformed by ultraviolet light.

The resists later have to be chemically developed, so as to open up cavities in the layers on top of the silicon through which other, "foreign" atoms (boron or arsenic for example) are shot to influence the electronic characteristics of the semiconductor.

Excimer lasers, in contrast, could open up the cavities simply by burning away material, so reducing the number of steps needed in chip production.

In the U.S., IBM has been among the leaders in examining the use of excimer lasers in chip production. In Britain, the Science and Engineering Research Council's Rutherford Appleton Laboratory near Oxford is doing similar work.

In medical applications, researchers are examining excimer lasers as tools to destroy the plaque (fatty deposits that can gradually clog arteries, particularly in the legs or around the heart.

Such deposits are a major cause of strokes. They are normally dealt with by opening up new channels for the blood to flow through — by-pass surgery —which is expensive.

Rather than vaporise deposits in the arteries, eximer radiation is of the correct wavelength to bring about chemical changes in the material, which could break up the plaque and cause it to be swept away with the blood in a self-cleaning operation.

Assuming that doctors could perfect techniques to aim the radiation accurately at the plaque through optical fibres passed into the arteries, this could lead eventually to a safe and accurate way to unblock arteries.

Some doctors have already tried out the technique, called laser angioplasty, using light from other types of lasers such as argon devices.

Problems of space laser guns

STAR WARS planners are interested in excimer lasers because of the low wavelength of the emitted radiation. This, in turn, would reduce the size of the mirrors that have to be used with the lasers to focus their rays on to targets.

The mirrors would probably be on large orbiting platforms while the lasers could either be in space with them or on the ground.

The job of the lasers would be to blast holes in the outer skin of missiles in flight, *knocking them off course or* destroying vital electronic parts.

The most commonly proposed laser for space weapons is the chemical laser, which radiates light at a wavelength of 2,700 nanometres, in the infra-red section. Star Wars scientists have realised that unless they use lasers of extraordinarily high power the mirrors required for chemical lasers would have to be at least 10 metres in diameter, which would be impracticable.

Groups working on applications of lasers for Star Wars include the Los Alamos *National Laboratory* in New Mexico and Western Research, a company in San Diego.

Problems over use of excimer lasers in Star Wars include their low efficiency—with current excimer lasers, only 2 per cent of electrical power (at a maximum) is turned into light energy.

Also the devices would have to operate at much higher powers than the devices now on sale. Helionetics sells excimer lasers costing $100,000 to $300,000 that produce up to 100 pulses of light a second, each pulse carrying 1-5 Joules. Lasers for Star Wars, *in contrast*, would have to produce up to 10,000 Joules per pulse to be effective.

Library's computer link to U.S.

A NEW transatlantic telecommunications link will enable the British Library to co-operate with several libraries in the U.S.

The link followed an agreement with the Research Libraries Group, a U.S. consortium of more than 30 research libraries that provides computer access to bibliographic records. The U.S. National Library of Medicine is also on the link.

The main activity affected by the link is the Eighteenth Century Short Title Catalogue, an international project co-ordinated by the British Library.

Two editorial teams in London and Baton Rouge, Louisiana, update their files at present by exchanging computer tapes. The link will enable them to work simultaneously on the same database and improve the accuracy of the catalogue.

Users of Blaise-Link, the British Library's information service, will continue to have access to the catalogue in the same way, but with less time and effort.

Plans have also been made to add British Library microfilm records to an existing register of master copies at the Research Libraries Information Network in Palo Alto, California, to aid preservation efforts.

Loading bay safety move

A DEVICE to improve safety in loading bays has been launched in the UK by Sovex Marshall.

Dok-Lok is an electro-mechanically powered steel hook fastened to the loading dock, which locks on to a vehicle's under-run bar. It is already used in the U.S., where product liability regulations and the possibilities of large insurance claims have served as an incentive to safety.

Contracts and Tenders

Public Notices

Company Notices

Personal

Isotron profits expected to exceed £1m mark

BY TERRY GARRETT

THE FULL prospectus is published today for an offer for sale by tender of 3.29m shares in **Isotron**, a company operating gamma radiation plants in the UK.

The shares are being offered at a minimum tender price of 120p each raising a total of just under £4m at that price, £3m of which will be new money for the company.

The company was established late in 1983 by Thompson Clive & Partners, the venture capitalist business, for the purpose of acquiring two complementary companies working in the field of gamma radiation—Irradiated Products and Gamma Radiation.

It operates from four plants—at Bradford, Reading and two in Swindon—and provides a service to customers in the medical and chemical sectors.

The process consists of exposing customers' products to a source of radiation, cobalt 60, either on a conveyor belt passing through a concrete shielded chamber of by taking batches of products into the chamber where they are mounted on a conveyor belt moving around the radiation source.

Its customers fall into three broad areas of medical, biological and chemical. The process can be used for sterilising medical products such as surgeons' gloves and dressings or the treatment of cosmetic preparations, such as shampoos, to *reduce the number of micro-organisms.*

In the chemical sector its process can improve the properties of insulation wire, for example.

Customers include LRC, which accounts for 16 per cent of sales, Smith & Nephew, BICC and ICI. LRC owned Irradiated Products from its inception in 1970 until it was sold to Thompson Clive.

In the UK there are six gamma irradiation plants, other than the company's own four. These are primarily used for the sterilisation of medical products and are operated in-house. One, however, does offer a limited service to *third parties and that is the only* direct competition to Isotron.

Isotron's current plants are operating at just 54 per cent of their possible maximum as laid down by licence. Part of the reason for going public is to raise finance to partially fund a new plant which the company hopes to have operational in 1987. The plant, including cobalt, will cost around £3m.

Over the years from 1979-80 to 1983-84 pre-tax profits have increased from £249,000 to £703,000. For the current period which ended yesterday the company has indicated a pre-tax profit of £1.12m. On an actual tax basis, therefore, Isotron is coming to market on a p/e of 22.6 at the minimum tender price, or 18.7 times earnings assuming a notional tax rate. The forecast net dividend for the *year to June 1986 is 1.25p giving* a yield of 1.5 per cent.

The company is brought to market by bankers J. Henry Schroder Wagg and broker Cazenove & Co.

● **comment**

While other offers have been *abandoned in the face of a weak* market Isotron has ploughed onwards with this tender. Possibly the disdain for the market's bruising owes something to having Cazenove on board—if that firm fails to get a £4m issue away the market is really in trouble. The company does enjoy a niche *business, which the market* normally finds enticing, and if the Government opens up the food market for gamma ray treatment the upward profits trend should get even steeper. Yet despite the semi-monopolistic position, the return on assets (assuming a realistic view) is only 10 per cent. That may deter new entrants but it also raises a doubt on the level of profit Isotron can hope for from its new £3m plant. The rating is high technology but in fact the company is a service business linked to companies that can turn to alternatives or possibly even set up their own plants at fairly modest costs. The rating has been pushed far enough and while Isotron is a sound medium term investment, investors chasing short-term gains should think twice, and maybe thrice before pitching in even at the minimum price.

Arthur Bell says prospects excellent

Arthur Bell & Sons, the Scotch whisky distiller which is fighting off a £295m takeover bid from Guinness, responded to criticisms made by Guinness saying: "if this is a company which has lost its way British industry could do with a few more of them."

In reply to the Guinness offer document sent out on Thursday Bell denied that it had lost its way.

It said it was the leader in the UK whisky market and that it was also the fastest growing Scotch whisky brand outside the UK.

Export sales and pre-tax profits had both more than doubled in the past five years and prospects for increased sales, exports, jobs and profits were excellent. Bell added.

Guinness's shares fell 2p on Friday to 247p while Bell fell 5p to 233p.

Christies' offshoot

Christies Contemporary Art has changed its name to Carlton Galleries and announced plans to come to the USM this summer.

The company, which is 55 per cent owned by Christies International, the fine art auctioneer, claims to be Europe's leading publisher of high quality, limited edition prints. Its artists include David Hockney and Miro, and it sells through its own galleries based in London, New York and

Braithwaite

The profit of £149,000 achieved by **Braithwaite and Co Engineers** in the year ended March 31 1985 was made up of a loss of £218,000 in the first half and a profit of £367,000 in the second, as expected. The recovery principally reflected the benefit of changes in maangement structure and organisation at Braithwaite Structural.

The year's profit compares with £336,000 in 1983-84 and our report of June 28 (taken from an agency statement) suggested that the changes at Structural were the reasons for the fall.

MOORGATE MERCANTILE Holdings saw its turnover climb by 32 per cent to £24.59m (£18.67m) in the year to the end of March 1985, with pre-tax profit improving by £180,000 to £830,000. The dividend is increased to 1.45p (1.3p) with a recommended final payment of 1p net per 10p share (0.9p).

Specialist staff agency for USM

BY LUCY KELLAWAY

STOCKBROKERS **Fiske & Company** are braving the difficult *conditions in the new issue mar*ket, by bringing **ATA Selection** to the USM with a market value of £5.5m. The firm has placed 2.1m shares at 59p each to raise a total of £1.1m after expenses, of which about £160,000 will be new money.

The remaining 1.6m of the shares placed are being sold by Mr Barney Barnett, the company's chairman and founder.

ATA is a specialist employment agency operating in two main areas, sales and electronic engineering. It has eleven branches scattered round the country, and plans this year to increase the size of some existing branches and add three new ones.

The company claims to have no direct competitors who specialise in the same markets on a nation-wide basis. It employs about 80 staff and last year found jobs for 1,400 people with 570 different customers. In 1984, no one customer accounted for more than 1.2 per cent of group turn-

As a complement to its recruitment business, ATA also is involved in specialised recruitment *advertising through its sub*sidiary Capital and Provincial Advertising. Turnover from this source was about 17 per cent of the total in 1984.

Group profits, which were flat from 1980 to 1982 rose sharply the following two years to reach £409,000 in 1984, while turnover increased more steadily in each of the five years. The company says that its rising profitability has reflected not only the growth in the number of placings, but also the higher fees that have stemmed from higher average salaries.

For the current year, ending December 1985, the company is forecasting that pre-tax profits will be at least £580,000. At the placing price the shares are on a prospective price earnings multiple of 16 after a 40 per cent tax charge. The company expects to pay a total dividend of 1.5p, on *which basis the shares* yield 3.6 per cent.

Dealings are expected to begin on Thursday.

Charles Baynes seeing diversification benefits

ACQUISITIONS made as part of the group's diversification from hacksaw blade manufacture to *property services and textile rental operator*, have resulted in **Charles Baynes** increasing its turnover in the first half of 3½ times compared with the same period in 1983-84.

In the six months to the end of March 1985, turnover was £6.28m, compared with £1.77m. Pre-tax profits however were down by a quarter to £180,000 (£242,000). Interim dividend is increased to 0.55p, from 0.5p in 1983-84, when the total payment was 2.25p.

Five companies, involved in either textile rental or property services, were bought during the period. *The reorganisation* and rationalisation resulted in the closure of four units and the relocation of the newly-acquired Clean Walls Group.

The directors say that considerable investment has been made both in product develop*ment and new services. The full* benefit is beginning to be seen and will show in the results for the second half.

The textile rental division suffered from an increase in overheads, which has been dealt with, and the miners' strike. Trading profit was up only slightly at £143,000 (£119,000).

The strike also had an effect *on the engineering division*, which met *higher price competi*tion from UK and overseas manufacturers. Trading profit fell from £176,000 to £109,000.

The other main division, property services, saw profits soar from £32,000 to £246,000.

As stated at the annual meet*ing, the business has become* highly seasonal with the bulk of the profit being earned in the second half. Steps are being taken to change that, the results of which should be seen in 1985/1986.

The directors says that in the *first two months of the second* half the textile rental division is trading in line with expectations but engineering continues to meet price competition. Although some contracts have been delayed the board believes that the property services division will produce substantial profits for the rest of the year.

Group trading profit came out at £504,000 (£314,000) and pre-tax profits were struck after central overheads up from £72,000 to £119,000 and interest payments of £205,000 (nil).

Irish Ropes loss reduced

Irish Ropes, the Dublin-based manufacturer of carpets, plastic and wire products, cordage and synthetic materials, incurred a lower seasonal taxable loss of I£113,640, against I£196,413, for the six months to end-March 1985.

The results, which were in line with expectations, were affected by the fall in the value of sterling relative to the Irish punt.

The company says that while the continuing development of new products will give sub*stantially improved profits in the* long-term following the phasing out of sisal production.

Marketing efforts are being increased and further productivity steps are planned. Intense competition continues to put pressure on margins.

Throgmorton Trust net assets grow to 307p

Throgmorton Trust had a net asset value of 307.4p per 25p share at May 31 1985, compared with 22.4p a year earlier, and 265.4p at end-November 1984.

For the six months to May 31 net revenue of this investment trust increased by 9.2 per cent from £2.02m to £2.21m, for earnings per share of 3.88p against 3.55p.

The directors have declared a same-again 2.75p interim. They are encouraged by the company's revenue projections, and anticipate at this stage being able to recommend some increase in the final. Last year's final was 4.75p.

Gross revenue for this half totalled £4.79m (£4.55m), and was made up of dividends and interest received of £3.73m (£4.22m), interest receivable £226,000 (£183,000), interest from subsidiaries not consolidated £718,000 (£80,000), underwriting *commission £116,000 (£19,000)*, and net profit of dealing subsidiary £7,000 (£52,000).

Expenses and interest took a higher £1.65m (£1.58m), leaving revenue before tax up from £2.97m to £3.15m. The tax charge was £943,000 (£951,000).

Dividends absorb a similar £1.57m, and revenue retained emerged at £631,000 (£447,000). With £894,000 (£839,000) brought forward, revenue retained and carried forward amounted to £1.53m (£1.29m).

FINANCIAL TIMES STOCK INDICES

	June 28	June 27	June 26	June 25	June 24	June 21	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Government Secs.	81.70	81.66	81.81	81.77	81.92	81.96	82.17	78.02	127.4	40.0
Fixed Interest	86.38	86.42	86.37	86.56	86.72	86.72	87.17	[illegible]	150.4	50.0
Ordinary	938.6	933.9	936.8	952.1	965.2	963.2	1024.5	928.7	1024.5	49.4
Gold Mines	425.1	432.8	439.0	445.5	440.2	440.6	536.9	421.9	734.7	43.4
FT-Act All-Share	595.54	594.86	598.14	604.08	612.92	611.44	644.21	581.88	644.21	61.2
FT SE100	1234.9	1234.3	1236.6	1248.3	1266.6	1262.0	1324.4	1206.1	1542.4	986.9

Over-the-Counter Market

Capitalisatn. £000's	Company	Price	Change on week	Gross div. (p)	Yield %	P/E Actual	P/E Fully taxed
4,916	Ass. Brit. Ind. Ord	136	−6	6.6	4.6	7.5	9.0
—	Ass. Brit. Ind. CULS	140	—	10.0	7.1	—	—
2,663	Airsprung Group	46xd	−2	6.4	13.9	7.7	10.0
900	Armitage and Rhodes	36	−1	2.9	8.0	4.5	7.5
49,246	Bardon Hill	158xd	—	4.0	2.5	20.8	20.8
2,520	Bray Technologies	64	+3	3.9	6.1	7.8	9.0
567	CCL Ordinary	162	−1	12.0	7.4	4.0	3.8
1,312	CCL 11pc Conv. Pref.	105xd	—	15.7	14.9	—	—
7,727	Carborundum Ord.	129	+2	4.9	3.8	8.4	10.0
589	Carborundum 7.5pc Pf.	84xd	—	10.7	12.7	—	—
3,600	Deborah Services	46	—	6.5	14.1	4.4	7.1
21,950	Frank Horsell	338	—	—	—	13.6	17.8
—	Frank Horsell Pr Ord 87	270	—	9.6	3.6	10.8	14.2
4,048	Frederick Parker	29	—	—	—	—	—
1,144	George Blair	63	+1	—	—	4.2	8.5
812	Ind. Precision Castings	20	—	2.7	13.5	5.5	5.9
13,897	Isis Group	177	−3	15.0	8.5	7.0	12.7
5,624	Jackson Group	108	−1	5.5	5.1	7.2	7.2
32,170	James Burrough	232xd	−2	15.0	6.5	7.3	7.3
3,085	James Burrough 3pcPf.	83	−1	12.9	14.5	—	—
9,796	John Howard and Co	94	—	5.0	5.3	7.5	11.8
3,600	Linguaphone Ord	220	—	—	—	9.1	8.4
—	Linguaphone 10.5pc Pf.	92xd	—	15.0	16.3	—	—
16,714	Minihouse Holding NV	614	−4	6.9	1.1	26.9	25.4
694	Robert Jenkins	68	+1	5.0	7.4	—	—
7,380	Scruttons "A"	33	−1	—	—	—	8.5
1,830	Torday and Carlisle	75	—	5.0	6.7	3.8	6.9
1,473	Trevian Holdings	325	—	4.3	1.3	18.5	18.2
4,710	Unilock Holdings	30	—	1.3	4.3	14.8	21.0
12,794	Walter Alexander	100	−2	7.5	7.5	7.5	10.8
5,158	W. S. Yeates	221	−4	17.4	7.9	6.3	10.8

Prices and details of services now available on Prestel, page 48146

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −	Net Div.	Times covered	Gross Yield	P.E. Ratio
§93	F.P.	28/6	106	95	✠Abbeycrest 10p	95	..	d2.5	2.5	3.8	15.1
180	F.P.	—	227	223	Abbey Life 5p	226	+1	b6.6	—	4.2	—
§138	F.P.	—	138	130	✠Appletree 10p	130	−5	b2.5	3.8	2.7	12.8
§75	F.P.	—	87	78	✠Blanchards 10p	80	+2	b2.1	2.9	3.8	13.1
130	F.P.	24/7	134	99	Brent Walker 10p	105	+5	b3.6	2.8	4.8	9.1
375	200	10/9	253	175	British Aerospace 50p	182	+2	13.65	3.1	5.5	6.5
§78	F.P.	5/6	91	80	✠Browns (C.) Car 10p	87	..	bg2.5	5.4	4.1	14.7
165	F.P.	31/5	175	155	✠Clayform Props. 5p	155	−5	bg7.5	2.1	6.9	9.8
**	F.P.	12/7	12	9	Clive Discount Wrrts.	9	−1	—	—	—	—
135	F.P.	21/6	135	101	Coloroll 10p	105	+4	bg4.6	2.5	6.2	9.4
§70	F.P.	—	80	74½	✠Cranbrook Elect. 5p	78	−1	b1.5	3.1	2.8	16.0
§84	F.P.	31/6	105	87	✠Datron Int'l. 5p	87	..	u1.0	5.9	1.6	16.2
160	F.P.	—	120	115	First Security 10p	118	−2	u3.5	2.6	4.2	11.6
Ir.97	F.P.	—	77	70	Green Property Ir. 25p	70	−3	12.67%	1.5	3.7	28.4
¶‖	F.P.	—	460	390	✠Heavitree Brewery	390	..	10.75	1.9	3.9	18.9
‖‖	F.P.	—	450	380	Do. 'A' Lm. Vtg.Ord.	380	−10	10.75	1.9	4.0	18.4
140	F.P.	12/7	156	125	IBL 10p	125	−2	g1.3	5.5	1.4	14.1
—	F.P.	—	27	25	MartinCurriePacWnts.	25	..	—	—	—	—
120	F.P.	—	115	104	Micro Scope 10p	105	..	b1.5	4.2	2.0	15.0
50	F.P.	26/7	50½	50	Nordic Inv. Trust 10p	50	..	—	—	—	—
41	F.P.	9/7	47½	37	✠Perkins J. Meats 10p	38	+1	b.g1.8	2.0	6.6	10.0
§138	F.P.	—	142	128	✠Prontaprint 10p	130	+2	b1.8	3.1	2.0	23.3
§175	F.P.	7/6	225	160	✠Sherwood Com 10p	160	−5	d3.75	3.4	2.5	16.9
‖‖	F.P.	12/7	425	305	Sturge Hldgs 20p	327	+7	b6.0	2.4	2.6	22.7
§120	F.P.	26/6	125	103	✠Viewplan 5p	107	−2	u1.28	4.0	1.7	15.4
95	F.P.	12/5	115	91	✠Wold 5p	91	−5	u2.7	2.7	3.6	11.5

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −
¶	F.P.	26/7	107p	103p	Allebone 8¾% Cnv. Cum. Rd. Prf.	103p	−1
‖	Nil	2/8	2ppm	½ppm	Caparo Inds. 8% Cnv. Cum. Prf.	½pm	..
**	F.P.	26/7	122p	107p	Cape Inds. 8.4% Cum. Cnv. Red. Pref.	118p	..
‡	Nil	—	1ppm	½pm	Euro. Ferries 6.75% Cv. Rd. Cum. Prf.	½pm	..
‖	Nil	—	3ppm	1ppm	✠Hunterprint 6½% Cnv. Cum. Red. Prf	1ppm	..
‖	F.P.	22/7	106	100	Kennedy Brookes 8¼% Cnv. Un. Ln. '02	100	..
‖	F.P.	5/7	109p	103p	Lon. & Edin. 6½% Conv. Cum. Rd. Prf.	103p	−1
90.705	£30	6/6	31½	29⅞	Malaysia 10¾% Ln. 2009	30½	−⅛
99.99	F.P.	—	101¼	100	Mansfield Brewery 11½% Deb. 2010	100	−¼
—	F.P.	—	100⅞	100⅛	Nationwide Bldg. Soc. 12½% 9/6/86	100⅛	..
—	F.P.	—	100⅞	100	Do. Do. 12⅞% 30/6/86	100⅞	..
**	F.P.	—	123p	121p	Port. & Sund. 10½% 2nd. Cum. Prf	123p	+1
‡	F.P.	19/7	105p	100p	Russell (A.) 6.75% Cum. Cnv. Rd. Prf.	101p	..
94.895	£30	19/7	36⅜	30	Spain (Kingdom of) 11¾% Ln 2010	35½	−⅛
‖	F.P.	26/7	105	100	Woolworth 8½% Cnv. Uns. Ln. 2000	100½	+½

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −
195	F.P.	16/7	216	177	Anchor Chemical	177	−8
—	Nil	16/8	3pm	¼pm	Ansbacher (H.)	¼pm	..
Ir.0.40	Nil	—	3½pm	—	‡‡Aran Energy 20p	½pm	..
350	F.P.	5/7	406	362	Beazer (C.H.) 70p	362	−8
33	Nil	—	4½pm	4½pm	✠Bio-Isolates	4½pm	..
146	Nil	—	30pm	15pm	✠Blue Arrow	18pm	..
10	Nil	—	2pm	1pm	✠Ecobric A £1	2pm	+½
190	F.P.	9/8	245	235	Emess Lighting	235	
220	F.P.	28/7	239	219	English China Clays	219	..
210	Nil	—	32pm	6pm	Evered	6pm	
134	F.P.	11/7	160	153	✠Godwin Warren	155	..
80	F.P.	26/6	93	80	✠Grosvenor Square 10p	82	
185	Nil	—	23pm	½pm	Hanson Trust	1½pm	..
250	Nil	—	45pm	20pm	London United 20p	25pm	+5
180	Nil	—	17½pm	3pm	Sunlight Service 10p	3pm	
130	F.P.	12/7	132	112	Suter 5p	113	+1
370	Nil	—	50pm	12pm	Taylor Woodrow	13pm	..
10	F.P.	12/7	40½	27	"The Times" Veneer	33	+1
150	F.P.	12/7	211	176	Tomkins (F.H.) 5p	180	+4
600	Nil	—	90pm	43pm	Union Discount £1	45pm	+2
2	F.P.	22/7	3½	2¼	Willaire Systems	2½	..

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *g* Assumed dividend and yield. *u* Forecast dividend cover based on previous year's earnings. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment letters or fully paid. ‖‖ Introduction. ✠ Unlisted Securities Market. § Placing price. ‡‡ Dealt in under Rule 535 (3).

PENDING DIVIDENDS

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
*Associated Newspapers	July 9	Interim 4.5
BET	July 19	Final 9.75
Barclays	Aug 2	Interim 12.5
Britoil	July 27	Interim 3.3
Brown (J.)	July 24	Final nil
Burnett and Hallamshire	June 22	Final 4.75
*Charter Cns	July 17	Final 7.25
Daejan	July 11	Final 9.625
*Daily Mail & Gen Tst.	July 9	Interim 12.0
Davy Corpn	July 19	Final 2.585
Dee Corpn	July 25	Final 3
Distillers	July 19	Final 9.15
*Dixons	July 17	Final 2.4
Dowty	July 19	Final 2.8
*GEC	July 2	Final due
Gestetner	July 19	Interim 0.5
Great Universal Stores	July 19	Final 10.5
Greycoat City Offices	July 12	Final 0.8
Haslemere Estates	July 12	Final 6.61
ICI	July 26	Interim 12
Imperial Gp	July 12	Interim 3.0
*Lex Service	July 26	Interim 4.1
*Johnson Matthey	July 12	Final 7.0
Lloyds Bank	Aug 3	Interim 9.5
Lonrho	Aug 2	Sec int 3.5
Magnet and Southerns	July 12	Final 2.7
Mercantile House	July 31	Final 8.25
Midland Bk	July 25	Interim 11
*NatWest	July 30	Interim 12.0
Nottingham Mfg	July 23	Interim 1.45
Ocean Transport	Aug 1	Interim 2.15
Rank Organisation	July 12	Interim 4.8
*Ratners	July 15	Final 1.63
*Rothmans Intl.	July 11	Final 4.0
*SGB	July 2	Interim 2.3
*Scottish and Nwcstl Brws	July 1	Final 3.64
*Thorn EMI	July 5	Final 12.5
*Union Discount	July 17	Interim due
Vantona Viyella	July 3	Interim 4.0
*Wedgwood	July 3	Final 3.5

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

WILLAIRE SYSTEM'S rights offer was accepted in respect of 15.5m ordinary shares (86.5 *per* cent). The remaining 2.4m shares were sold in the market. The controlling shareholders' interests are Cullum Investment Company, which is controlled by Mr E. A. T. Roscoe, 22.33 per cent and Solidfact Manegament, controlled by Mr G. M. Wilson.

COMTECH is selling 10 per cent of its optical disks subsidiary, ***Plasmon Data Systems***, to Kuraray of Japan for $1m (£0.77m). A joint vetnure company will be formed in Japan, owned equally by Plasmon and Kurary. A major UK financial institution has agreed in principle to invest $1m into Plasmon on similar terms as Kurary.

UK COMPANY NEWS

Premier hits at U.S. fund raisers

THE CHIEF of a British oil company has hit out at the spate of small American oil companies which have recently raised money on the London market, and expresses his concern at the Stock Exchange granting a full quotation to them.

Mr Roland Shaw, chairman and managing director of Premier Consolidated Oilfields, writes in his annual statement to shareholders:

"Speaking personally about the United States, I am disturbed by the spate of small companies which have come to London in recent months and persuaded investors to fund U.S. oil ventures on a basis where the promoters take more than the lion's share of the corporate capital while British investors foot the costs. In a number of cases the prospectuses postulate proven reserves under leases which are not even owned or even drilled—an exceedingly dubious practice."

Mr Shaw says it is "further disturbing to find the Stock Exchange granting a full quotation to such companies, some of which not only have no five year record but in fact only a few months of corporate existence."

Turning his attention to his own company, he tells shareholders that the past year was successful and that the future looks "secure and profitable."

The company has no net debt—in fact it has investments, deposits and cash of £14.8m against debt of £6.4m, its major producing properties are on the up curve and its proven recoverable oil reserves, currently some 39m barrels, are increasing with new development work.

The chairman says Premier is now—and for the first time in its recent history—insulated from economic shock by the sound basis of low cost production in stable market areas. Growth and development are expected to accelerate steadily and "we are prepared to weather short term uncertainties *about oil prices*."

Mr Shaw says the company does not now depend for prosperity on exploration successes or developments stretching forward a number of years. "So that is very satisfactory." At the same time it has a large number of exploration prospects which it intends to exploit sensibly and within a rational budget. These could result in very substantial growth—" and that is also very satisfactory."

In the year ended March 31, 1985 the company almost doubled its turnover to £9.86m and greatly expanded its pre-tax profit from £1m to £4.5m, including exchange gains £1.16m mainly in the first half.

Highlights of the year were £65m financing for Wytch Farm, where Premier's share of production is now at 625-750 barrels per day; defeat of the takeover bid by Carless Capel and Leonard; successful rights issue; turnround in Trinidad operations after many losses; shell well appraising the 29/8b discovery in the North Sea; four excellent 9th round North Sea blocks; and active exploration programme.

Again shareholders' dividend is in the form of a scrip issue, as the directors believe this method is still appropriate. However, they will continue to review the matter "carefully," especially if profits follow their predicted turnover of up to £60m over the next five years.

In America it has been a year of consolidation for Premier. It has had minimal activity and has cut down overheads drastically while working to formulate a new policy for U.S. operations. Production in the Fort Worth basin, Montana and Utah has been satisfactory and should give break-even results against the previous year's losses.

The company is to concentrate on high risk drilling with large potential; and expects, with its new partner Rosewood Resoures, to drill wildcat wells on the Western States acreage, funding part of the costs itself and farming out part.

BOARD MEETINGS

The following companise heve notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-*divisions shown below are based* mainly on last year's timetable.

TODAY

Interims: Fleming Claverhouse Investment Trust, LPA Industries, Oakwood, Television South.

Finals: Delmar, Illingworth Morris, Marston Thompson and Evershed, Benjamin Priest, J. Rothschild, Save and Prosper Return of Assets Investment, Scottish and Newcastle Breweries.

FUTURE DATES

Interims—

Bootham Engineers	July 24
Channel Islands and International Investment Trust	July 18
Corah	Aug 15
Ford (Martin)	*July 31*

Finals—

Daejan	July 4
Ellis and Everard	July 15
Graig Shipping	July 17
HAT	July 16
Jacksons Bourne End	July 5
Moorgate Investment Trust	July 17
Sommerville (William)	July 11
Thorn EMI	July 5

Funds top £3.5bn at Allied Dunbar

Hambro Life Assurance, the largest and most well known of *the companies in the UK* linked-life sector, is from (today), changing its name to **Allied Dunbar Assurance.**

This change has been forced on the company ever since the ending of its connection last year with its parent, the merchant banking group Hambros.

In the 14 years since it was founded by Mr Mark Weinberg, Hambro Life has expanded from being a linked-life company to embrace many facets of the financial services sector, including unit trust group, offshore investment and private banking, all trading in recent years under the name Allied Hambro, though this name never became widely

Earlier this year it became part of BAT Industries in a mutually agreed takeover.

The holding company will from today become Allied Dunbar, with five major operating compames within its orbit, the *main one being Allied Dunbar* Assurance with funds under management in excess of £3.5bn.

The other companies are Allied Dunbar Unit Trusts, the third largest unit trust group in Britain with over 120,000 unit trust accounts, Allied Dunbar and Company, the private banking arm, Allied Dunbar Provident and Allied Dunbar International.

Mr Weinberg, commenting on the name change said that it was appropirate that the group should have an indentity distinct from the name of its original parent.

F.T. Share Information

The following securities have been added to the Share Information Service—

Asda Property Holdings (Section: Property); **Bedford (William)** (Draper and Stores); **Compania Telefonica Nacional de Espana, SA** (Electricals); **Holmes and Marchant Group** (Paper, Printing and Advertising); **Moorgate Group** (Paper, Printing and Advertising); **Ran Data Corporation Ltd** (Electricals).

Redfearn National Glass Industrial Equity (Pacific) has increased its holding to 960,000 ordinary shares (15.8 per cent).

Automated - Security Hold ing): Mr T V Buffett, a director has disposed of 200,000 ordinary shares at 177½p and now holds 2,676,498 shares (4.835 per cent).

COMPANY NEWS IN BRIEF

ELECTRIC AND GENERAL INVESTMENT'S net asset value per share at May 31 1985 was 362p (283.8p) after prior charges at par and 362.5p (284.2p) at market value. Earnings per share climbed from 3.79p to 4.37p and the final dividend is 2.05p for a net total of 3.6p (3.15p). Pre-tax earnings improved from £1.04m to £1.22m.

GREENWICH CABLE Communications, USM-quoted television relay operator suffered net losses of £230,660 (£180,025) for the six months to February 28 1985, on turnover ahead from £132,550 to £148,700. Losses per share *are shown as 4.6p against 7.2p.*

C.P.I. HOLDINGS, a Marley subsidiary, made a pre-tax loss of I£88,000 (£70,000) in the half-year to March 31 1985, against a £70,000 profit before. Loss per 25p share was 0.7p (0.4p earnings), but the interim dividend is maintained at 1p net. Sales were £20.86m (£19.25m).

LOMBARD NORTH Central, a wholly-owned subsidiary of National Westminster Bank, has acquired 50 per cent of the ordinary shares of **Harvey Plant.** This is now jointly owned by Lombard and Lex Services and follows similar successful ventures with Lex's other contract hire companies—Lex Vehicle Leasing and Transfleet Services. Under the terms of the agreement Lex will continue to manage the business of Harvey Plant and Lombard will be satisfying the funding requirements.

MEDIA TECHNOLOGY International has agreed to pay some £1.6m (satisfied by the issue of 1m shares) for the acquisition of **Mitchell Cameras,** one of the oldest and most prestigious camera manufacturing companies in the world serving the film industry. The vendor is the trustees of the Fox family trusts (the 20th Century Fox family). *They intend to retain the shares* and will own 9.1 per cent of MTI's enlarged capital. MTI will also lend Mitchell $375,000 (£291,000) to repay the balance outstanding on its freehold premises in Burbank, California. Excluding the premises, which have a current market value of $1.25m (£970,000), Mitchell's net assets at March 31 1985 were $900,000 (£698,000).

MARKHEATH SECURITIES (property developer) had 8.07m new ordinary shares of its rights issue taken up as at June 21, including 7.06m not underwritten. It has not been possible to sell the balance, amounting to 7.16m new ordinary (87.68 per cent of the 8.17m underwritten shares) in the market at a premium, and accordingly sub-underwriters are required to subscribe.

BRITANNIA SECURITY Group has agreed to acquire the capital of **Berville Finance,** a non-trading holding company, for 845,000 ordinary shares in Britannia. Berville's net assets at end-February 1985 were £550,000. The vendors have warranted that the net profits of Berville and its wholly-owned subsidiary Lamitex, which laminates paper and board, will not be less than £610,000 for the 18 months ending June 30 1985.

MILFORD DOCKS Company of Milford Haven, has incurred slightly higher pre-tax losses of £413,204 (£403,069) for 1984, on turnover ahead from £974,103 to £1.39m. Attributable losses emerged at £413,204 (£410,780). There was a tax credit last time of £59,636, and extraordinary debit of £67,347.

KENNEDY BROOKES' £10m 6¾ per cent convertible unsecured loan stock 2002 offered at par in a rights issue, has been taken up by holders to the extent of £6.63m stock—some 66.3 per cent. The balance of £.37m has been alloted to the underwriters.

WARNER HOLIDAYS, a subsidiary of Grand Metropolitan, incurred a virtually unchanged seasonable taxable loss of £1.43m, against £1.45m, for the first half to end-March 1985. Net turnover amounted to £1.99m (£1.18m).

LIFECARE INTERNATIONAL has acquired Amberley Nursing Home, Truro, and Westhaven Nursing Home, Hoylake, for £295,000 cash.

BARROW HEPBURN **Group** has acquired 400,000 ordinary shares of 25p each in **Arrow Chemicals** representing 5.3 per cent of the issued share capital.

ERNEST JONES (Jewellers) reports pre-tax profits up from £972,000 to £1.12m for the six months ended March 30 1985, on turnover (including VAT) of £9.82m (£8.65m). Trading during the current quarter of the year has been encouraging, with continued growth in both volume and turnover, state the directors. The interim dividend is unchanged at 1.4p net per share—in 1983-84 a total of 3.9p was paid from profits of £702,000.

THE WEEK IN THE COURTS

Transcript system deprives public

GONE are the days when reported judgments were short, consisting of only a few sentences.

Such admirable brevity may have been due to the judge's taciturnity—but is more likely to have been because he was less burdened then with the interpretation of intricate regulation and legislation, and the analysis of an overwhelming mass of precedent.

Now judgments can be very long and complicated. Law reporters and press reporters take notes in court with varying standards of shorthand, long-hand, concentration, hearing, stamina and understanding.

The result can be a number of inconsistent versions of highly technical material. For that reason an official transcript is produced for the benefit of the public, and for law reporting purposes and appeals on unreported cases.

In the UK, law reporting has always been carried out on a private basis by individual reporters or competing publishers, unlike other English law countries where it is organised by the state.

Maybe that is why Britain's system of obtaining official transcripts is not only absurdly outdated compared to other countries, but also in many cases deprives the public of an opportunity of hearing or seeing the judgment—a big failing in a system where judges frequently and earnestly state that justice must not only be done, but must be *seen* to be done.

In the High Court, judgments are often given off-the-cuff, and reserved judgments are usually delivered aloud, so that at least they are heard. In the Court of Appeal, however, judges generally (though not always), hand down a typed version of the judgment to counsel, press and law reporters, without reading it aloud.

The advantages of "handing down" are so great to a reporter that it would be foolish to ask for a return to the old system of sitting and listening for one, two, three hours or more — sometimes dashing between several judgments to try to pick up a little from each.

But what about the public? In the High Court a member of the public will have had an opportunity to listen to the judgment. In the Court of Appeal it is unlikely that he will have heard it. In neither court will the transcript be available to him immediately.

Sometimes it will not be available for several weeks, and when it is it may be beyond his means financially. The cost of transcripts depends on length—a short judgment could cost £30, or a long one £300.

In other English law countries official transcripts are made available, free, on the day of the judgment. In Australia and the U.S., for example, the official transcript of a reserved judgment is prepared, revised and accurately typed before judgment is given, so that it is immediately available.

If judgment is given off-the-cuff, it is taken down, transcribed, revised by the judge, retyped, and is available to the public within two days.

The UK system is amazingly cumbersome in comparison, with the exception of the House of Lords and Privy Council, where judgments are immediately available.

At High Court level, judgments are recorded on tapes which are sent out to transcribers throughout the country. The transcripts are then sent to the judge. He may deal with them immediately or sit on them for several days or weeks. They then go back to the transcriber for retyping before being sent to customers.

The delay caused by human factors is increased by at least four trips through the post.

Considering the clumsiness of the system it says a lot for the efficiency of the Mechanical Recordings department in the High Court that the process sometimes only takes three weeks.

In the Court of Appeal the practice is slightly different. A shorthand writer notes down an off-the-cuff judgment and transcribes it. If, however, it is "handed down," the writer will physically receive it from the judge's clerk, send it back to the judge for revision (usually unnecessarily), have it returned and retype it (again usually unnecessarily) before despatching it. This process can also take several days or weeks depending on the human factor, if not so much on the post.

It makes sense that there should be one standard version checked and revised by the judge, and accurately typed. What does not make sense is that the standard version of a reserved judgment is not available when judgment is given.

It must be possible for UK judges, like their Australian or U.S. colleagues, to perfect their judgments and get them typed accurately in advance so that they are immediately available. In the case of extempore judgments, they could surely be available within a couple of days of judgment.

One advantage of immediate availability is certainty. Judges have been known to change whole legal propositions when revising a transcript. It is disconcerting to have heard what was said in court and to discover, several weeks later, that a positive thought has since been changed to a negative, or that a significant proposition has been added or deleted.

There has been much grumbling about a recent change in the House of Lords practice in the handing down of judgments. In the past they were free and were immediately available as official transcripts on the date of judgment, but were only handed out to counsel, law reporters and the press.

They now cost £4 each but have the advantage of being available on the date of judgment to any member of the public who wishes to collect them from the judicial office.

In spite of complaints about having to pay £4, this system is infinitely more satisfactory than that in the High Court and Court of Appeal. Admittedly the House of Lords usually reserves its judgments for about six weeks, but this is not unknown in the Court of Appeal and High Court.

If transcripts can be produced so quickly, cheaply and efficiently in the House of Lords why not in the High Court and Court of Appeal?

The situation seems anomalous at a time when the emphasis in Britain's legal system is on improving efficiency and cost-effectiveness—as exemplified by Sir John Donaldson's attempts to drag the Court of Appeal into the late 20th century and the recent appointment of Sir Nicolas Browne-Wilkinson as Vice-Chancellor with a brief, so it is rumoured, to do the same thing for the Chancery Division.

In an era when pits, steelworks, hospitals and schools must close in the interests of economy, there can be no justification for preserving an expensiveand inefficient system which deprives the public of its right to know immediately not only what the judge has said, but what he meant to say.

By Rachel Davies

Voting rights of Phoenix Timber dissidents upheld

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

DISSIDENT shareholders in Phoenix Timber Group have defeated an attempt to stop them voting at the company's extraordinary general meeting today.

A High Court judge on Friday set aside an injunction against Mr Michael Hermann, a Phoenix director, and his wife, who between them hold 359.590 of the company's ordinary shares.

Mr and Mrs Hermann requisitioned Monday's meeting for the appointment of new directors. They are heading a group of shareholders trying to wrest control of Phoenix from the present board.

The board went to court complaining that the Hermanns had breached section 74 of the 1981 Companies Act by not disclosing the identities of beneficiaries of certain trusts on whose behalf they hold some Phoenix shares.

Mr Justice Mervyn Davies said there were grounds for supposing that the Hermanns had given what information they could about the beneficiaries.

Such information as there was about other interests in the shares was as much known to the company as it was to the Hermanns.

It was common knowledge that the shares belonged to the estate of a descendant of the company's founder.

The judge said there were also grounds for supposing that the company was not seeking the information for the bona fide purpose of establishing who had an interest in the shares, but rather for the oblique purpose of stopping the votes attached to them being used at the extraordinary meeting.

INTERNATIONAL APPOINTMENTS

Rogers to steer Molson

By Bernard Simon in Toronto

THE MOLSON COMPANIES, the Canadian brewing, chemicals and lumber group, has named Mr John Rogers chief executive in the place of Mr James Black, who remains as *non-executive chairman*.

Mr Rogers, aged 57, joined the company in 1950, and has been president and chief operating officer for the past two years.

Molson is passing through a difficult period at present, as a result of intense competition in the Canadian beer market and the lacklustre profitability of some of its U.S. operations. Mr Black, 59, told the annual meeting in Toronto last week: "We are going to be reporting earnings at less than record levels for the next couple of years, before we can really hope to show full recovery."

Net income fell to C$45.2m (U.S.$31m) in the year to March 31, from C$51.3m and C$62.9m in the previous two years. The return on equity has dropped from 18.5 per cent to 11.5 per cent since 1983.

Molson brands account for about one-third of the Canadian beer market. Brewing profits tumbled by two-thirds in 1984, but Mr Rogers said that the company hopes to gain one percentage point in market share a year.

Molson has held talks with Adolph Coors, the Colorado brewer, on the introduction of Coors beer in Canada, and is studying the feasibility of having its brands brewed under contract in the UK.

Nor Tel rings in the changes

By Our Toronto Correspondent

***Northern Telecom*, the Canadian telecommunications equipment manufacturers, has appointed Mr David G. Vice as president. Mr Edmund FitzGerald relinquishes this title, but remains chairman and chief executive.**

Mr Vice, who joined the company in 1955, was previously president of Northern Telecom Canada, the principal Canadian operating subsidiary. Mr Robert Ferchat, previously president of Northern Telecom International, has taken over as president of Northern Tele-

Derr heir apparent at Chevron

BY WILLIAM HALL IN NEW YORK

MR KENETH T. DERR, aged 48, has been appointed a vice-chairman of Chevron, the San Francisco-based oil giant, in a move which appears to be grooming him for the top job when Mr George Keller, the current chairman and chief executive retires.

Mr Derr is far and away the youngest of Chevron's nine executive directors and has been responsible for masterminding the implementation of Chevron's $13.3bn takeover of Gulf Corporation, announced last year.

He will take over as vice-chairman on October 1, following the early retirement of Mr Donald Bower, 61, who has been a vice-chairman since 1979. Mr Bower has been a director of wide marketing operations Chevron for over 17 years and co-ordinated Chevron's worldwide marketing operations before becoming the first president of Chevron USA, the company's major domestic operating subsidiary, in 1977.

Mr Derr has had a rapid rise up the Chevron management ladder since joining the company in 1960 after graduating from Cornell with a degree in mechanical engineering and business administration. In his early career he held a variety of assignments in Chevron's refining and economic analysis operations before being appointed assistant to the president in 1969. He was elected a director of the company in 1981.

Although the 61-year-old Mr Keller shows no signs of wanting to retire, Mr Derr seems well placed to succeed him. Mr John Grey, Chevron's president for the last 10 years, is 62 and all Chevron's other executive directors, with the exception of the 56-year-old Charles B. Renfrew, are over the age of 60. Inside Chevron, it is said that one reason Mr Derr was given the task of implementing the merger of Gulf and Chevron was that he would have only himself to blame if the merger did not work as planned.

Montgomery Ward at the top shake up

BY OUR NEW YORK STAFF

MR BERNARD F BRENNAN, who was hired earlier this year to revive the sagging fortunes of Montgomery Ward, the sixth biggest U.S. retailer, has announced a major management shake-up in a bid to re-establish Ward as a "competitive and profitable leader in the retail business."

He has split up responsibility for merchandising and store operations; which have been the sole responsibility of Mr William J. McCarthy, an executive vice president, since the departure of Dr Ira Quint, the former general merchandise manager, last summer. Under the new regime Mr McCarthy will be responsible for store operations plus marketing and product service. In addition, Mr Marvin Stern has been promoted to executive vice president—merchandising; and given sole responsibility for all buying, importing, replenishment and quality assurance functions for the company.

Mr Brennan, a former executive of Montgomery Ward who was re-hired by Mobil Corporation, the oil major which is the parent of the giant department store group, has been given the task of reviving the group so that Mobil can eventually sell it. He says that his new management structure is aimed at developing Ward's businesses in areas where it can excel, such as apparel, appliances, automotive, home and home care, home electronics and recreation and leisure.

Montgomery Ward is reducing its dependence on its traditional department store outlets and is now developing a "store-within a store" concept. The group plans to divide its old department stores into as many as seven small speciality shops. The first store to present all of Montgomery Ward's speciality outlets under one roof will open in Annapolis, Maryland, in August.

Switch at Control Data

BY OUR NEW YORK STAFF

CONTROL DATA, the U.S. computer and computer products group, has appointed Mr Tom Roberts—the former chief executive of Fairchild Camera, the semiconductor manufacturer subsidiary of Schlumberger, the international oil services group—president of its international operations.

Mr Roberts, aged 43, poined Schlumberger in 1970 after a short spell as a computer sales engineer at IBM. After ten years in Europe where he held various positions with Schlumberger, including managing director of the group's UK electronic business, he has made chief executive of Fairchild Camera, the oldest of the U.S. semiconductor manufacturers, which was bought by Schlumber in 1979. It has not been a successful acquisition for Schlumberger, and Mr Roberts went on an "indefinite leave of absence" at the start of the year.

* * *

ENGELHARD Corporation, the New Jersey-based international producer of specialty chemical and metallurgical products and processes, has named Mr Cyrus H. Holley to the new post of executive vice president and chief operating officer. Mr Holley was president of the concern's specialty chemicals division.

* * *

MR ALDO PAPONE has been named president and chief operating officer of American Express Travel Related Services, in succession to Mr Lewis V. Gerstner, who last week was appointed president of American Express Company, the group parent, but who remains chairman and chief executive officer of the subsidiary.

Retirements bring change for Baloise

By John Wicks in Zurich

TWO RETIREMENTS have led to a re-shuffle at the head of Baloise, the Swiss insurance group. At the same time, the Baloise management board has been reduced from four general managers to three.

Mr Rudolf T. Sarasin, hitherto finance director and a general manager of Baloise Insurance and Baloise Life Insurance and succeeded Mr F. Emmanuel Iselin as chairman of the board of directors. Mr Peter Leepin is replaced as management chairman by general manager Mr Robert Baumann.

Because the finance and administrative divisions have been merged, there will in future be only two general managers.

Copies of the document which comprises Listing Particulars with regard to Isotron plc in accordance with The Stock Exchange (Listing) Regulations 1984 have been delivered for registration to the Registrar of Companies in England and Wales as required by those Regulations. Application has been made to the Council of The Stock Exchange for the whole of the ordinary share capital of Isotron plc issued and being issued to be admitted to the Official List.

The Directors of Isotron plc, whose names, addresses and functions appear below, are the persons responsible for the information contained in the Listing Particulars. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in the Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

Isotron

Offer for Sale by Tender by J. Henry Schroder Wagg & Co. Limited

OF 3,290,088 ORDINARY SHARES OF 25p EACH AT A MINIMUM TENDER PRICE OF 120p PER SHARE, THE PRICE TENDERED BEING PAYABLE IN FULL ON APPLICATION

Key Information

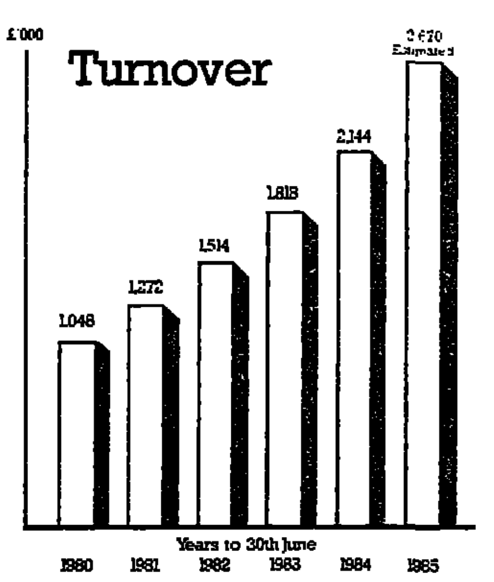
The following information is derived from the full text of this document and accordingly must be read in conjunction with that text.

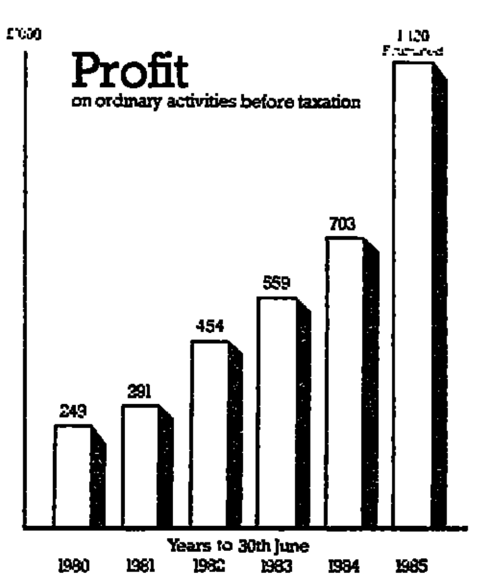
Business
Isotron provides the only independent gamma radiation service in the UK. It operates plants at three sites, Swindon, Reading and Bradford, processing a wide variety of products. This service is well established and unrivalled in size and flexibility within the UK. It is used by customers primarily for the following purposes:

— to kill bacteria and other micro-organisms; hence it is used to sterilise medical devices and also to reduce the number of contaminating organisms in veterinary products, cosmetic preparations and certain raw materials; and

— to change the molecular structure of plastics in order to modify their properties. Irradiation improves the heat and abrasion resistance of the insulation on wire and cable for the telecommunication and automotive industries. In another application, plastic slabs are irradiated as a step in the manufacture of foam sheeting as used, for example, in sports equipment and safety wear.

Trading record*





Offer for sale statistics**

Number of ordinary shares in issue and being issued	12,300,000
Market capitalisation	£14.8 million
Pro forma earnings per ordinary share† — actual tax (47%)	5.3p
— notional tax (35%)	6.4p
Pro forma price earnings multiple — actual tax	22.6 times
— notional tax	18.7 times
Forecast minimum net dividend per ordinary share for the year ending 30th June 1986	1.25p
Gross dividend yield	1.5 per cent.
Dividend cover††	5.2 times

* Based on the figures in the Accountants' report for the years 1980 to 1984 and on the profit estimate for 1985.

** Based on a minimum tender price of 120p per share.

† Pro forma earnings per ordinary share of 25p each are calculated on the basis of estimated results for the year to 30th June 1985 and take into account the new ordinary shares to be issued and the net proceeds therefrom. See "Profit estimate" under "Finance" for the basis of calculation.

†† Based on the forcast minimum net dividend for the year ending 30th June 1986 and pro forma earnings per ordinary share based on a notional tax charge of 35% as shown above.

Share capital

Set out below is the authorised and issued share capital of Isotron as it will be immediately following the admission of the ordinary share capital to the Official List, the capital reorganisation conditional thereon and the redemption of the 1,600,000 redeemable preference shares of £1 each.

Authorised		*Issued and being issued fully paid*
£5,300,000	Ordinary shares of 25p each	£3,075,000

The new ordinary shares which are the subject of the offer for sale rank in full for all dividends and other distributions hereafter declared, paid or made on the issued ordinary share capital of Isotron and rank *pari passu* in all respects with the existing ordinary shares of Isotron.

Indebtedness

At the close of business on 31st May 1985, apart from intra-group indebtedness, Isotron and its subsidiaries did not have any loan capital (including term loans) outstanding, or created but unissued, or any other borrowing or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, hire purchase commitments or guarantees or other material contingent liabilities.

The application lists for the shares now being offered for sale will open at 10 a.m. on Thursday, 4th July 1985 and may be closed at any time thereafter. The procedure for application and the application form are set out at the end of this document. It is expected that dealings in the whole of the issued ordinary share capital of Isotron will commence on Thursday 11th July 1985.

Definitions

"Isotron"	Isotron plc
"IPL"	Irradiated Products Limited
"Gamma Laboratories"	Gamma Laboratories Limited
"GRS"	Gamma Radiation Services Limited
"the Group"	Isotron, IPL, GRS and Gamma Laboratories
"Schroders"	J. Henry Schroder Wagg & Co. Limited
"Thompson Clive"	Thompson Clive & Partners Limited

Technical note

Gamma rays are a form of electromagnetic radiation like micro-waves and ultraviolet light and X-rays. In common with X-rays they are of short wavelength, of high energy and very penetrating. They bring about chemical changes and cause biological effects by the process of ionisation. Gamma rays are produced during the spontaneous disintegration of the nuclei of the atoms of radioactive elements called radionuclides or, more commonly, radioisotopes.

The unit of strength of a radioisotope source is the curie (Ci): one megacurie means 1,000,000 curies (MCi). A new unit, known as the becquerel, is currently being introduced and will replace the curie as the standard unit of measure. All radioisotopes, whether naturally occurring or artificially produced, decay with time and the period known as the half-life is the time taken for half the radioactivity to decay. For example, the half life of the gamma emitter cobalt 60 is approximately 5.3 years.

Directors, advisers and bankers

Directors
Colin George Clive, BSc, MBA *Chairman*
John Grant, CEng, MIMechE *Managing Director*
Francis James Ley, BSc, FRSH, FIBiol *Technical and Marketing Director*
Terence Frederick Summers, FIMLS *Operations and Sales Director*
Charles Edward Fitzherbert, CA
Edward Andrew Perronet Sells, FCA
Christopher Ronald Thompson, MIMechE
all of Moray Road, Elgin Industrial Estate, Swindon, SN2 6DU

Secretary and registered office
John Kirk Barker, FCA
Moray Road, Elgin Industrial Estate, Swindon, SN3 6DU

Issuing house
J. Henry Schroder Wagg & Co. Limited, 120 Cheapside, London, EC2V 6DS

Stockbrokers
Cazenove & Co., 12 Tokenhouse Yard, London, EC2R 7AN

Auditors and reporting accountants
Peat, Marwick, Mitchell & Co., (Chartered Accountants), 7-11 Station Road, Reading, RG1 1LG

Solicitors to Isotron
Ashurst, Morris, Crisp & Co., Broadgate House, 7 Eldon Street, London, EC2M 7HD

Solicitors to the offer for sale
Clifford-Turner, Blackfriars House, 19 New Bridge Street, London, EC4V 6BY

Bankers
National Westminster Bank PLC, 84 Commercial Road, Swindon, SN1 5NU

Registrars
National Westminster Bank PLC, Registrar's Department, P.O. Box No. 82, 37 Broad Street, Bristol, BS99 7NH

Introduction

Isotron provides the only independent gamma radiation service in the UK. It operates plants at three sites, Swindon, Reading and Bradford, processing a wide variety of products. This service is well established and unrivalled in size and flexibility within the UK. It is used by customers primarily for the following purposes:

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— to change the molecular structure of plastics in order to modify their properties. Irradiation improves the heat and abrasion resistance of the insulation on wire and cable for the telecommunication and automotive industries. In another application, plastic slabs are irradiated as a step in the manufacture of foam sheeting as used, for example, in sports equipment and safety wear.

History and Development

Origins
Isotron was established in late 1983 on the initiative of Thompson Clive & Partners Limited ("Thompson Clive") with the object of acquiring two gamma radiation service companies, Irradiated Products Limited ("IPL") and, through its parent company Gamma Laboratories Limited ("Gamma Laboratories"), Gamma Radiation Services Limited ("GRS"). Both IPL and GRS had been operating since 1970.

The original work in the UK on the science and technology of the use of gamma radiation was carried out between 1958 and 1970 by the United Kingdom Atomic Energy Authority ("UKAEA") at Wantage Research Laboratory ("Wantage"), an out-station of Harwell. The advent of nuclear power reactors provided the means to produce radioisotopes artificially in very large amounts, thus creating the incentive to identify industrial applications. John Grant and Frank Ley, now Isotron Directors, were senior members of the team assigned to this project from its inception. The world's first commercial gamma radiation facility, based on the use of the radioisotope cobalt 60, was commissioned at Wantage in 1960 to demonstrate the technology to industry. There are now about 135 plants operating in 42 countries processing a wide range of products.

IPL
In the late 1960's John Grant, Frank Ley and another colleague (who left IPL in 1977) agreed to combine their individual expertise to set up IPL as a service company to exploit the properties of gamma radiation. They secured the financial backing of LRC International plc ("LRC") and in 1970 left the UKAEA to run IPL, which began trading in that year as a wholly-owned subsidiary of LRC.

IPL commenced business by leasing the Wantage radiation plants from the UKAEA and began the design and construction of two new plants at Swindon; these were completed by the end of 1972. In 1979, IPL expanded its business by opening a further plant on a site adjacent to the M62 near Bradford.

Initially, business from LRC accounted for the majority of IPL's turnover which was primarily generated from the sterilisation of disposable medical products. The range of applications and the customer base grew through the 1970's with the business from LRC representing a progressively smaller proportion of the total. By 1982, it was less than one third. In January 1984 LRC sold IPL to Isotron.

GRS
GRS was founded in 1969 and commenced operations in 1970 from a purpose built plant at Reading. The plant was built to a design by John Grant who at that time worked for the UKAEA. In 1974 GRS was acquired, through a new company Gamma Laboratories, by New Court and Partners Limited and a number of individuals including Colin Clive, the present Chairman of Isotron.

Terry Summers joined GRS in 1970 and was appointed managing director of GRS and Gamma Laboratories in 1978. In 1982 control of GRS was acquired by two venture capital funds managed by Thompson Clive with the only other shareholders being Colin Clive and Terry Summers.

GRS has concentrated on the sterilisation of medical disposables for which the Reading plant is specially suited. Following Terry Summers' appointment as managing director, there was a steady growth in both turnover and profits. Gamma Laboratories was acquired by Isotron in January 1984.

Isotron
Isotron was established in November 1983. In January 1984 it acquired IPL from LRC for cash and acquired Gamma Laboratories for shares in Isotron. Isotron's founder shareholders included all its current Directors (other than Christopher Thompson) and Thompson Clive. In order to finance the acquisition of IPL and to provide working capital, shares in Isotron were issued to a group of institutional investors, including funds managed by Thompson Clive. IPL and Gamma Laboratories, and its subsidiary GRS, are now dormant companies.

Business

The plant
A commercial irradiation plant consists of a concrete shielded chamber containing a source of radiation and a conveyor system to carry the product around the source. The radioactive element is contained in a series of stainless steel tubes which are mounted in a frame in a manner designed to produce a uniform field of emitted radiation. When not in use the source is lowered into a safe storage position, either a concrete enclosed pit or a deep pool of water, thus allowing entrance to the treatment chamber. Plants have a facility to allow the periodic replenishment or increase of the radioactive source with the minimum disruption.

The radioisotope most widely used as a source of gamma radiation is cobalt 60. It is produced by exposing cobalt 59 to neutrons in a nuclear reactor. It has a half-life of approximately 5.3 years, equivalent to a loss of radioactivity of about $12\frac{1}{2}$ per cent. per annum on a reducing balance basis. This means that the radioactive source in a commercial facility requires replenishing only at reasonably long intervals. Replenishment of the source is achieved by replacing one or more of the stainless steel tubes containing the radioactive material. The source comprises tubes of varying age and hence varying radioactive strength. The slow decay rate and high penetration of its emission make cobalt 60 particularly suitable for commercial use. The gamma radiation emitted by this radioisotope does not cause any hazard with regard to induced radioactivity in any of the products which have been irradiated. Cobalt 60 is currently the only type of radioisotope used by Isotron.

The process
The process consists of exposing the product on the conveyor system to a source of gamma radiation. The plant may be of the "Continuous" type, with the conveyor entering and leaving the cell through labyrinths and the product being loaded and unloaded in the warehouse. Alternatively, with a "Batch" plant batches of product are taken into the cell to be mounted on a conveyor to circulate around the source - this process offers advantages in flexibility but involves radiation time lost during product change. The period of time and the manner in which the product is exposed are carefully controlled and monitored to give a specific radiation dose. The time of exposure and hence the rate of throughput will depend on the strength of the source. This can be increased with business demand up to the maximum level licensed for a particular plant.

The irradiation process can induce a variety of changes in material which is exposed to it. In particular it has the ability to kill micro-organisms, parasites and insects. It is used for sterilisation of medical products and might be applied in the future in the UK to food for preservation and other purposes. Additionally, irradiation can modify the properties of certain plastics to commercial advantage. The doses of radiation required to achieve different objectives vary over a wide range, and environmental and other conditions during irradiation can influence the result.

The source
Cobalt 60 can only be produced in commercial quantities in certain types of nuclear reactor. The principal world producer is Atomic Energy of Canada Limited ("AECL"); others are Amersham International plc and Commissariat de L'Energie Atomique in France. Isotron is largely dependent on AECL for an adequate supply of cobalt 60; although there have been supply shortages during Isotron's 1985 financial year, Isotron was always able to obtain sufficient cobalt 60 to meet its increasing level of business. AECL is currently contracted with Isotron to supply its forecast requirements of cobalt 60 up to June 1986 and discussions are in progress on requirements beyond that date. AECL has recently confirmed that it has taken steps to increase its production of cobalt 60 in order to meet the needs of gamma processors worldwide. AECL's current estimated deliverable production capacity of cobalt 60 up to June 1987 is 50 MCi; this compares with a total production of 46 MCi between June 1980 and June 1983. Isotron's current requirements are for approximately 1 MCi per annum.

Isotron's purchases of cobalt 60 from AECL are invoiced in U.S. dollars. For purchases made by the Group over the last three years, the U.S. dollar price per curie has risen, on average, by less than 10 per cent. per annum.

Capacity
Isotron currently operates four irradiation plants. Two plants, one a Continuous type and the other a Batch type, are located at the Swindon site and a single Continuous type operates at each of the other sites at Reading and Bradford. The Swindon plants were designed by John Grant. The Bradford plant was designed and built by AECL and the Reading plant was built by H.S. Marsh Limited based on a design by John Grant. The current source loadings of the plants and the maximum licensed capacity are as follows:-

Plant	Current source loading MCi	Maximum licensed capacity MCi
Swindon - Continuous	1.15	} 3.0
Swindon - Batch	0.63	
Bradford	1.30	3.0
Reading	0.78	1.2
	3.86	7.2

It will be seen that Isotron possesses considerable expansion potential within its existing facilities.

The cobalt 60 source emits radiation and is decaying continuously, even when it is in its storage position. Therefore, in order to ensure the most efficient use of the plant, the installed quantity of cobalt 60 is matched as closely as possible to the expected throughput of product to be treated. Furthermore, the objective is to use the source continuously and hence Isotron operates a shift system over 24 hours per day, 7 days per week, on all of its sites.

Isotron's production facilities are supplemented by a research and development capability within the Batch plant at Swindon. This is offered to government and university laboratories as well as to commercial customers for the testing of potential products for irradiation treatment on a commercial scale.

The Directors believe that together the facilities have the greatest processing capacity in Europe and the different types of plant provide the necessary flexibility to handle a wide range of product types and sizes involving different doses, dose rates and environmental conditions.

Safety
The operation of gamma radiation plants in the UK is regulated by the Health and Safety Executive of the Department of Employment and operators must be licensed by the Department of the Environment to store radioactive sources. Facilities are subject to regular inspection. Isotron's management has considerable experience in the safe use of the irradiation process and the operation of the plant, including the storage and replenishment of large radiation sources. All the Isotron facilities have been constructed and are operated in such a way as to comply with the requirements of the Ionising Radiations (Sealed Sources) Regulations 1969 and 1985 and Isotron has for some time followed policies which are now codified in the Approved Code of Practice relating to the 1985 Regulations.

Markets and customers
Isotron's service is used by customers for the following purposes:-

Medical

— sterilisation of medical devices, e.g. surgeons' gloves, surgical dressings, catheters, syringes and needles, bottle teats and orthopaedic implants;

— sterilisation of pharmaceutical products and ingredients, e.g. antibiotic preparations, contact lens solutions, surgical sutures, talcum and kaolin powder;

- sterilisation of packaging materials, e.g. bottles, ampoules, bags and reels of packaging materials;
- sterilisation of special equipment for hospitals to cater for individual requirements, e.g. special procedure packs for surgeons.

Biological

- treatment of animal diets to render them free of pathogenic bacteria;
- treatment of cosmetic preparations, such as shampoos, creams, skin oils and eye make-up, so as to reduce the number of micro-organisms;
- disinfection of agricultural products, e.g. control of Anthrax bacteria in hair and prevention of Foul Brood in apiaries.

Chemical

- improvement of the properties of the insulation on wire and cable;
- conversion of waste industrial plastic into a useful form;
- as a stage in the manufacturing process for the conversion of plastic slabs into foam sheeting;
- treatment of plastic tubing to cause it to shrink when subsequently heated, for insulation purposes;
- polymerisation of liquid monomers at a controlled rate, e.g. in the production of wood/plastic composites.

The table under "Trading record" below provides an analysis of turnover between these three areas.

Isotron's largest customer is LRC. In the nine months ended 31st March 1985 business from LRC accounted for approximately one sixth of turnover. There is an agreement dated 9th January 1984 between Isotron and LRC whereby LRC is committed, subject to certain conditions, to offer Isotron a certain minimum value of business up to January 1986 and thereafter all of its and its subsidiaries' irradiation business until January 1989. The next largest customer represented just over five per cent. of Isotron's turnover in the nine months ended 31st March 1985 and the ten largest customers together represented under 50 per cent. of turnover in this period. There are currently around 500 active customer accounts.

Isotron's turnover is almost all derived from within the UK.

Competition

In the UK there are six gamma irradiation plants in addition to the four operated by Isotron. They are used primarily for the sterilisation of medical products, being owned by medical product companies and operated in-house. However, one offers a limited service facility to third parties. Isotron offers *the only multi-purpose radiation service* within the UK. There are gamma radiation service facilities in continental Europe but these do not compete directly with Isotron for the bulk of its business because of the high cost of transport.

Electron beam machines are an alternative source of radiation for industrial processing. They produce high speed electrons which have a similar effect to gamma rays. They are best suited for in-line processing of products of a low density or those which require only surface treatment. A very large volume of rubbers and plastics are *treated in this way. There are a number of electron beam machines* within the UK, but only one company offers an electron beam service facility and thus is primarily used in the chemical area.

Several companies within the UK offer an alternative cold sterilisation service using ethylene oxide gas. This process has become less commercially attractive following the introduction of more stringent health and safety requirements. The Directors are of the opinion that, as has already been the case in the United States, radiation will be increasingly favoured in the UK over the gaseous method.

Directors, management and employees

Chairman

Colin Clive, aged 48, was appointed the Chairman of Isotron in December 1983. He was a founder shareholder and director in 1974 (and subsequently Chairman) of Gamma Laboratories and a director of its subsidiary GRS. He has a degree in electrical engineering from the Massachusetts Institute of Technology and an MBA from Harvard Business School. His career has included five years with IBM, five years at Bankers Trust Co. where he was a vice-president and helped *to build up its London merchant banking subsidiary, Bankers Trust* International, and five years with New Court & Partners, the venture capital arm of N.M. Rothschild, where he was joint managing director. He has participated in starting up or developing a number of companies in high technology fields. He is managing director of Thompson Clive which manages two venture capital funds concentrating on high technology investment in the UK and the USA. He is chairman of DPCE Holdings plc, a director of Northern Securities Trust p.l.c. and is the chairman or a director of a number of small to *medium sized unquoted companies*, mainly in the high technology field.

Executive Directors

The day to day management of Isotron is the responsibility of three executive directors.

John Grant, aged 58, has been Managing Director of Isotron since the acquisition of IPL and Gamma Laboratories in January 1984 and was previously joint managing director of IPL. He is a chartered engineer. From 1955 to 1970 he worked for the UKAEA at Wantage concentrating on the design and commissioning of the first large scale irradiation facility in the UK. He was later responsible for all engineering work at Wantage. In 1970 he left the UKAEA to become a founder director of IPL.

Frank Ley, aged 57, has been Technical and Marketing Director of Isotron since the acquisition of IPL and Gamma Laboratories and was previously joint managing director of IPL. He has an honours degree in biochemistry from the University of Aberdeen. After several years *in the food research department of Unilever he joined the UKAEA* in 1959 as a Principal Scientific Officer to lead a team investigating the irradiation of food and medical products at Wantage. He left in 1970 to become a founder director of IPL. He has published numerous scientific papers on radiation processing and holds fellowships of the Institute of Biology and the Royal Society of Health.

Terry Summers, aged 53, has been Operations and Sales Director of Isotron since the acquisition of IPL and Gamma Laboratories and has particular responsibility for the Swindon site. Following work in the *hospital laboratory service he joined Gillette Industries Limited* in 1963 and was part of the team responsible for the development of sterilisation processes and in particular for the development and operation of Gillette's gamma radiation plant. He joined GRS in 1970 as general manager, being appointed a director in 1973 and managing director of GRS and Gamma Laboratories in 1978. He is a Fellow of the Institute of Medical Laboratory Sciences.

Non-executive Directors

Charles Fitzherbert, aged 41, has been a Director of Isotron since December 1983 and was a director of Gamma Laboratories and GRS from 1980. After qualifying as a chartered accountant he worked for First National Finance Corporation for five years and thereafter for Grindlays Bank for two years. In 1980 he joined Thompson Clive, becoming a director in 1982. He was Company Secretary of Isotron until March 1985.

Andrew Sells, aged 36, was appointed a Director of Isotron in December 1983. He qualified as a chartered accountant in 1971 and subsequently joined Schroders. In 1982 he moved to Thompson Clive, where he is joint managing director of its venture capital funds. He is closely involved, in some cases as a director, in a number of unquoted companies, mainly in areas of technology.

Christopher Thompson, aged 57, joined the board of Isotron in April 1985 as an independent Director, having no connection with the Thompson Clive organisation. He has extensive experience of the engineering industry and was a director of Northern Engineering Industries plc and group managing director of its International and Projects Group. He is retained as a consultant by NEI. He is also a Birmingham area local director of Barclays Bank PLC and chairman of Wynn Electronics Limited.

Management

There are four senior managers directly responsible to the executive directors.

John Barker, aged 37, is Financial Controller and Company Secretary. He joined Isotron in January 1985 from The Burmah Oil PLC, where he was group management accountant. He is a chartered accountant.

Anthony Bruton, aged 47, is Group Services Manager. He joined IPL in 1978 from the Royal Air Force, where he was a Chief Technician managing an instrument servicing unit.

David Fletcher, aged 46, is Site Manager at Bradford. He joined IPL in 1978 from the Royal Air Force, where he was a Flight Sergeant managing aircraft servicing and repair units.

Kenneth Jeffery, aged 49, is Site Manager at Reading. He joined GRS in 1980 and was previously a service engineer with Pye Unicam.

Employees

The average number of employees of the Group over the last three financial years was 58. Excluding Directors, the Group currently has 57 full-time and seven part-time employees. Of these, 41 are engaged in processing, five in plant and building maintenance and 18 in administration. 16 are employed at Bradford, 16 at Reading and 32 at Swindon.

Finance

Fixed assets

Isotron's business is capital intensive. The Directors estimate that the replacement cost of Isotron's four plants including cobalt 60 at present capacity would be in excess of £11 million, as compared with a book value of £4 million. This is not reflected in Isotron's accounts. In Isotron's pro-forma balance sheet as at *31st March 1985*, adjusted to take into account the effect of the offer for sale, which is set out below, fixed assets are shown at historical cost less accumulated depreciation, with the exception of freehold land and buildings, which were revalued in 1981 and cobalt 60, which was revalued in 1984.

Trading record

The trading record of the Group for the five years ended 30th June 1984 and the nine months ended 31st March 1985 is set out below under "Accountants' report".

The analysis of turnover by *market sector* and *profit before taxation* over this period is shown in the following table:—

	Years ended 30th June				Nine months ended 31st March	
	1980	1981	1982	1983	1984	1985
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover						
Medical	639	743	950	1,167	1,365	1,202
Biological	229	271	307	330	397	364
Chemical	180	258	257	321	382	358
	1,048	1,272	1,514	1,818	2,144	1,924
Profit before taxation	249	291	454	559	703	788

On the basis of the trading record above and the estimates set out below, turnover and profit before taxation, which includes interest payable or receivable, have grown by 20.6 per cent. and 35.1 per cent. compound respectively over the 5 year period to 30th June 1985 and by 24.5 per cent. and 59.3 per cent. over the last year.

Although the mix of business has remained substantially the same over the period, with the medical sector accounting for about 60 per cent. of turnover, the Group has been successful in increasing the total volume of products processed. This growth, given that a high proportion of the costs associated with the business are fixed, together with increased selling prices, *has resulted in higher profitability.*

Profit estimate

The Directors estimate, in the absence of unforeseen circumstances and on the basis of the audited accounts for the nine months ended 31st March 1985 and estimates for the three months ending 30th June 1985, profit before taxation for the year to 30th June 1985 of £1,120,000 on turnover of £2,670,000.

Peat, Marwick, Mitchell & Co. and Schroders have reported to the Directors on these estimates and their letters are set out in Section 11 of "Additional information". On the basis of the expected tax charge of 47 per cent., the profit after taxation but before extraordinary items is estimated to be £594,000 and earnings per ordinary share, calculated on the basis described in note 4.7 of the Accountants' report, are 5.2p.

This expected tax charge of 47 per cent. is higher than the underlying rate of U.K. corporation tax of 43.75 per cent. for the period to 30th June 1985. This reflects the combined impact of the disallowable depreciation on cobalt revaluations in the year to 30th June 1984, *particularly with regard to IPL's cobalt (which had not been previously* revalued), the reduction in capital allowances introduced in the Finance Act 1984, and greater operating efficiencies achieved since the merger of the businesses of IPL and Gamma Laboratories which have allowed a deferral of cobalt purchases and hence lower allowable capital expenditure. The Directors do not, however, anticipate that Isotron's tax charge will continue to be higher than the underlying rate of UK corporation tax.

Pro forma earnings per ordinary share are based on the number of ordinary shares which will be in issue following the offer for sale and estimated profit before taxation for the year to 30th June 1985, adjusted for a full year's interest at 10 per cent. (before taxation) on the net proceeds of the offer for sale (after redemption of the redeemable preference shares of Isotron and expenses of the offer for sale) and the minimum tender price of 120p.

There will be 12,300,000 ordinary shares in issue following the offer for sale. Estimated profit before taxation, adjusted as described above, would be £1,220,000. On the basis of these figures and the expected tax charge of 47 per cent., pro forma earnings per ordinary share are 5.3p. On the basis of a notional tax charge of 35 per cent., pro forma earnings per ordinary share are 6.4p.

The minimum tender price of 120p per ordinary share represents a multiple of 22.6 times pro forma earnings per ordinary share-actual tax and 18.7 times pro forma earnings per ordinary share-notional tax.

Dividends

The ordinary shares now being offered for sale will rank in full for all dividends hereafter declared. The Directors expect, in the absence of unforeseen circumstances, to recommend the payment of dividends in respect of the year ending 30th June 1986 of not less than 1.25p per share (1.79p inclusive of related tax credit), which would represent a gross dividend yield of 1.5 per cent. at the minimum tender price. This level of dividend would be covered 6.2 times by pro forma earnings for the year to 30th June 1985 on the basis of a notional tax charge of 35 per cent., as calculated above.

No dividend on ordinary shares will be paid in respect of the year to 30th June 1985. In future years it is intended that an interim dividend will be paid in May and a final dividend in December.

Prospects

The Directors anticipate continuing growth in all the main areas of Isotron's irradiation activities. There has been an increased demand for irradiation of pharmaceutical, cosmetic and toiletry products themselves or their raw materials, which the Directors expect to continue as a result of a greater awareness of product hygiene. The use of disposable medical devices in hospitals is well established and increasing. The volume of business is being further enhanced by the use of pre-assembled operation procedure packs and disposable gowns and drapes.

Applications involving radiation chemistry can be further expanded, concentrating on the modification of rubbers and plastics to improve their properties. Although this is an area largely dominated by the use of electron beam machines, the volume of products is so great that even a small share of this business would have a significant impact on Isotron's throughput.

Irradiation of food, for preservation or other purposes, is an area which is not yet open to Isotron but the potential volume is large. Restrictive *legislation exists in the UK pending evidence of the safety of irradiated* food for human consumption. A government committee is currently reviewing the situation and is expected to report later this year. If legislation is amended to lift the restrictions the Directors foresee that the initial application would be to herbs, spices and other food ingredients to kill micro-organisms and insects, so replacing the use of chemical treatment. A number of companies are already using Isotron's research and development facilities for studies on a variety of foods.

Isotron is able to handle higher volumes of business in its present facilities, merely by installing more cobalt 60 until the licensed limits are reached. However, in view of anticipated future growth the Directors have decided to commission a further plant and studies on location and plant design have already commenced. The plant is expected to cost in the order of £3 million (including cobalt) and to be fully operational in 1987.

Reasons for the offer for sale

The Directors consider that Isotron is at a stage in its development which is appropriate for a listing. This should enhance the standing of Isotron and give it access to the capital markets to finance the development of its business.

3,290,088 ordinary shares are being offered for sale, representing 26.7 per cent. of Isotron's issued ordinary share capital, as increased. Of these, 790,088 shares are being sold by existing shareholders and 2,500,000 new shares are being issued by Isotron.

The gross proceeds of the offer for sale amount to £3.9 million at the minimum tender price. Of this sum, £0.9 million is due to selling shareholders and £3.0 million to Isotron. The amount received by Isotron will be applied as follows:-

(i) £1.6 million to redeem at par the redeemable preference shares in Isotron;

(ii) £0.4 million to the expenses of the offer for sale; and

(iii) the balance of £1.0 million, and any further sum arising from the sale of ordinary shares at above the minimum tender price, initially to working capital and then to finance the further expansion of Isotron's business, in particular towards the cost of a new plant as referred to above under "Prospects".

Pro forma balance sheet

Set out below is a pro forma balance sheet for Isotron based on the audited balance sheet as at 31st March 1985, adjusted for the net proceeds of the offer for sale at the minimum tender price and the capital reorganisation referred to in Note 2 below.

	31st March 1985 £'000	Pro forma £'000
Employment of capital:		
Fixed assets	3,815	3,815
Current assets		
Stocks	8	8
Debtors and prepayments	608	608
Investments	295	295
Cash at bank and in hand	685	1,683
	1,596	2,594
Creditors: Amounts falling due within one year	(736)	(736)
Net current assets	860	1,858
Provisions for liabilities and charges	(440)	(440)
Net assets	4,235	5,233
Capital employed:		
Capital and reserves		
Ordinary shares	50	3,075
Convertible participating preferred ordinary shares	2,400	—
Cumulative redeemable preference shares	1,600	—
Share premium account	—	1,975
Profit and loss account	185	183
	4,235	5,233

Notes:

1. The above figures do not incorporate the estimated replacement value of fixed assets as referred to in "Fixed assets" under "Finance" above.

2. In summary, the capital reorganisation, which will become effective *on the ordinary share capital of Isotron being admitted to the official* list by the Council of The Stock Exchange, involves the following:—

(a) The convertible participating preferred ordinary shares of £1 each being converted into 2,250,000 deferred shares of £1 each and 150,000 ordinary shares of £1 each.

(b) Each of the existing ordinary shares of £1 each being sub-divided into 4 ordinary shares of 25p each.

(c) The authorised share capital being increased to £5,300,000 by the creation of 4,600,000 ordinary shares of 25p each.

(d) *The purchase by Isotron of the 2,250,000 deferred shares of* £1 for an aggregate consideration of £2,250 and the resulting authorised but unissued shares of £1 each being converted and sub-divided into 9,000,000 ordinary shares of 25p each.

(e) Conditional upon the purchase and conversion of the deferred shares, the amount of £2,250,000 standing to the credit of the capital redemption reserve account being capitalised and distributed by way of 9,000,000 ordinary shares of 25p credited as fully paid to holders of ordinary shares in the proportion of 45 shares for every 4 shares held following the reclassification and sub-division referred to above.

(f) The redemption of the redeemable preference shares subsequent to the offer for sale and, conditional thereon, the resulting £1,600,000 authorised but unissued share capital being converted into 6,400,000 ordinary shares of 25p each.

Accountants' Report

The Directors,
Isotron plc,
Moray Road,
Elgin Industrial Estate,
Swindon, SN2 6DU

7-11 Station Road,
Reading, RG1 1LG

27th June 1985

Gentlemen,

Isotron plc ("Isotron") was incorporated on 21st November 1983 and became a holding company in January 1984 when it acquired the share capitals of Irradiated Products Limited ("IPL") for cash and those of Gamma Laboratories Limited ("Gamma Laboratories") and its subsidiary Gamma Radiation Services Limited ("GRS") in exchange for shares. In order to fund the acquisition of IPL, Isotron issued additional shares on 9th January 1984. IPL and GRS were established companies providing gamma irradiation services. Isotron and its subsidiaries are collectively referred to as "the Group".

We have examined the audited accounts of Isotron and its current subsidiaries covering the five financial years ended 30th June 1984 and the nine month period ended 31st March 1985. For periods prior to 9th January 1984 the profit and loss accounts and source and application of funds statements of IPL, Gamma Laboratories and GRS have been combined for the purposes of this report so as to disclose respectively the results and movements of funds of the businesses now constituting the Group. For periods subsequent to 9th January 1984 the profit and loss accounts and source and application of funds statements of Isotron and its subsidiaries have been consolidated. Similarly for accounting dates prior to 30th June 1984 the balance sheets of IPL, Gamma Laboratories and GRS have also been combined, whereas at 30th June 1984 and 31st March 1985 the balance sheets of Isotron and its subsidiaries have been consolidated. The summarised historical cost profit and loss accounts, balance sheets and source and application of funds statements prepared on this basis, which are set out below, are based on the audited accounts of Isotron and its current subsidiaries after making all such adjustments as we consider necessary.

In our opinion the summarised financial information of the Group as presently constituted set out below together with the notes thereon give a true and fair view of the profits and source and application of funds of the Group for the periods stated and of the state of affairs of the Group at 31st March 1985 and at the end of each of the five financial years to 30th June 1984.

No audited accounts of Isotron or any of its subsidiary companies have been made up in respect of any period subsequent to 31st March 1985.

1. Profit and loss accounts

The summarised profit and loss accounts of the Group for the five years ended 30th June 1984 and the nine month period ended 31st March 1985 prepared on the basis set out above are as follows:-

	Note	1980 £'000	1981 £'000	1982 £'000	1983 £'000	1984 £'000	Nine months ended 31st March 1985 £'000
Turnover		1,048	1,272	1,514	1,818	2,144	1,924
Cobalt depreciation	4.2	(104)	(136)	(159)	(247)	(360)	(293)
Other cost of sales		(360)	(476)	(519)	(560)	(581)	(442)
Gross profit		584	660	836	1,011	1,203	1,189
Administrative expenses		(291)	(330)	(362)	(452)	(517)	(456)
Operating profit		293	330	474	559	686	733
Interest receivable		—	—	—	3	19	55
Interest payable		(44)	(39)	(20)	(3)	(2)	—
Profit on ordinary activities before taxation	4.3	349	391	454	559	703	788
Taxation on profit on ordinary activities	4.4	(52)	(134)	(182)	(263)	(391)	(372)
Profit on ordinary activities after taxation		197	157	272	296	412	416
Extraordinary items	4.5	—	—	—	—	(176)	(142)
Profit for year/period		197	157	272	296	236	274
Dividends	4.6	(106)	(95)	(443)	(132)	(564)	(114)
Retained profit/(deficit) for year/period		91	62	(171)	164	(328)	160
Earnings per 25p ordinary share	4.7	2.0p	1.6p	2.8p	3.0p	3.8p	3.6p
Dividends per 25p ordinary share	4.7	1.1p	1.0p	4.8p	1.3p	5.4p	0.6p

2. Balance sheets

The summarised balance sheets of the Group at 31st March 1985 and at the end of each of the five financial years to 30th June 1984 prepared on the basis set out above are as follows:-

	Note	1980 £'000	1981 £'000	1982 £'000	1983 £'000	1984 £'000	31st March 1985 £'000
Employment of capital:							
Fixed assets							
Goodwill		—	—	—	—	142	—
Tangible assets	4.8	2,137	2,166	2,557	2,625	3,968	3,815
		2,137	2,166	2,557	2,625	4,110	3,815
Current assets							
Stocks		3	4	5	5	5	8
Debtors and prepayments	4.9	298	213	257	386	493	608
Investments	4.10	—	—	—	—	—	295
Cash at bank and in hand		3	1	45	43	371	685
		304	218	307	434	869	1,596
Creditors: Amounts falling due within one year	4.11	(331)	(163)	(172)	(407)	(439)	(736)
Net current assets		(27)	55	135	27	430	860
Creditors: Amounts falling due after more than one year		(334)	(333)	—	—	—	—
Provisions for liabilities and charges	4.12	(324)	(337)	(370)	(429)	(465)	(440)
Net assets		1,452	1,551	2,322	2,223	4,075	4,235
Capital employed:							
Capital and reserves							
Called up share capital	4.13	173	173	173	173	4,050	4,050
Shareholders' loans		583	623	1,336	1,073	—	—
Reserves	4.14	696	755	813	977	25	185
		1,452	1,551	2,323	2,223	4,075	4,235

3. Source and application of funds

The summarised source and application of funds of the Group for the five years ended 30th June 1984 and the nine month period ended 31st March 1985 prepared on the basis set out above are as follows:-

	1980 £'000	1981 £'000	1982 £'000	1983 £'000	1984 £'000	31st March 1985 £'000
Source of funds						
Profit on ordinary activities before taxation	249	291	454	559	703	788
Adjustments for items not involving the movement of funds:						
Depreciation	167	192	217	306	415	335
Total generated by operations	416	483	671	865	1,118	1,123
Funds from other sources						
Share capital	—	—	—	—	3,250	—
Increase in shareholders' loans	—	40	713	—	—	—
Increase in loans	139	—	—	—	—	—
Proceeds of disposal of fixed assets	13	15	5	—	—	—
	567	538	1,389	865	4,368	1,123
Application of funds						
Purchase of fixed assets	(442)	(241)	(384)	(375)	(632)	(182)
Taxation paid	(14)	(20)	(60)	(122)	(111)	(190)
Dividends paid	(46)	(148)	(450)	(133)	(564)	(40)
Repayment of loans	(70)	(1)	(333)	—	—	—
Formation expenses paid	—	—	—	—	(34)	—
Decrease in shareholders' loans	—	—	—	(263)	(1,073)	—
Purchase of IPL shares	—	—	—	—	(1,408)	—
Increase/(decrease) in working capital	(5)	128	162	(27)	546	711
Components of increase/(decrease) in working capital						
Stock	—	1	1	—	—	3
Debtors	56	(1)	66	57	107	115
Investments	—	—	—	—	—	295
Creditors falling due within one year	(42)	155	(3)	(82)	111	(16)
Movement in net liquid funds:						
Increase/(decrease) in *cash at bank and* in hand	2	(2)	44	(2)	328	314
Decrease/(increase) in bank overdraft	(21)	(25)	55	—	—	—
	(5)	128	162	(27)	546	711

4. Notes to the accounts

4.1 Basis of preparation

Prior to its acquisition in January 1984, IPL's audited accounts were made up to 31st March. For the purposes of the table of profit and loss accounts and source and application of funds statements IPL's results for the year ended 30th June 1984 have been arrived at by eliminating its results for the three months to 30th June 1983 from the results for the fifteen months ended 30th June 1984. For previous years the results for the years ended 31st March have been used since any adjustment would be immaterial. For the purpose therefore of the table of balance sheets, balance sheets for IPL at 31st March 1980 to 1983 inclusive have been incorporated into the balance sheets of the Group at 30th June 1980 to 1983 inclusive, as any adjustments would have an immaterial effect on the state of affairs of the Group as at those dates. The accumulated reserves of IPL and Gamma Laboratories on 9th January 1984 have been capitalised on their acquisition by Isotron.

4.2 Accounting policies

The principal accounting policies which have been applied in the foregoing summaries consistently during the period under review are:—

(a) Basis of accounting

Cobalt and certain freehold land and buildings are revalued at periodic intervals; all other items are stated in the accounts under the historical cost accounting convention.

(b) Depreciation

Freehold land *is not depreciated.* Depreciation is calculated so as to write off the cost or valuation of other tangible fixed assets over their estimated useful lives.

The following rates are used:—

Freehold buildings	1-2% p.a. straight line
Plant and machinery	5-30% p.a. straight line
Fixtures, fittings and equipment	10-30% p.a. straight line
Cobalt	$12\frac{1}{2}$-$13\frac{1}{2}$% p.a. reducing balance

In years prior to 1984 cobalt was depreciated on a reducing balance basis at a rate of $12\frac{1}{2}$ per cent. calculated to write the cobalt down to its residual value over its estimated useful life. During the year ended 30th June 1984 the Group was informed that it would no longer obtain credit from its suppliers for unused cobalt residues and accordingly the depreciation rate was increased to $13\frac{1}{2}$ per cent. on a reducing balance basis.

The backlog depreciation arising from the change, net of deferred tax, was dealt with through revaluation reserves.

(c) Deferred taxation

Deferred taxation is provided using the liability method in respect of the effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

(d) Foreign exchange

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Balances denominated in a foreign currency are translated into sterling at the exchange rates ruling on the balance sheet date.

(e) Turnover

Turnover represents amounts invoiced by the Group in respect of services provided during the period, excluding value added tax.

4.3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	1980 £'000	1981 £'000	1982 £'000	1983 £'000	1984 £'000	Nine months ended 31st March 1985 £'000
Depreciation (note 4.2 (b))	167	192	217	306	415	335
Hire of plant and equipment	13	53	61	70	80	45
Directors' remuneration	42	63	69	90	106	71
Audit fees	4	5	6	7	5	6
Bank interest payable	8	20	4	3	2	—
Interest on other loans repayable within five years	36	19	16	—	—	—
Management service charges payable to Thompson Clive	5	6	7	15	8	18

4.4 Taxation

	1980 £'000	1981 £'000	1982 £'000	1983 £'000	1984 £'000	Nine months ended 31st March 1985 £'000
United Kingdom corporation tax	11	(118)	(153)	(228)	(238)	(382)
Deferred taxation	(63)	(16)	(29)	(35)	(53)	10
	(52)	(134)	(182)	(263)	(291)	(372)
The taxation charge was reduced/ increased) by:						
Benefit of capital allowances	57	17	61	69	128	37
Benefit of small companies relief	1	7	10	13	10	—
Utilisation of tax losses brought forward	19	—	—	—	—	—
Disallowable expenditure (principally depreciation of cobalt revaluation surpluses)	—	(7)	(17)	(54)	(82)	(64)
	77	17	54	28	56	(27)

The taxation charge for the nine months ended 31st March 1985 is based on the anticipated effective rate for the year to 30th June 1985.

4.5 Extraordinary items

	1984 £'000	Nine months ended 31st March 1985 £'000
Formation expenses	34	—
Goodwill written off	142	142
	176	142

4.6 Dividends

	1980 £'000	1981 £'000	1982 £'000	1983 £'000	1984 £'000	Nine months ended 31st March 1985 £'000
To former shareholders of IPL	106	88	432	117	526	—
To former shareholders of Gamma Laboratories	—	7	11	15	—	—
Preference dividends	—	—	—	—	38	60
Preferred ordinary dividends	—	—	—	—	—	54
	106	95	443	132	564	114

4.7 Earnings and dividends per ordinary share

The calculations of earnings per ordinary share are based on the profit after taxation and preference dividends but before extraordinary items and on 9,800,000 ordinary shares of 25p each, being the number of ordinary shares in issue immediately following the changes in share capital referred to in sub-paragraphs (a) to (e) of note 4.13 below and before the redemption of preference shares and the issue of 2,500,000 new ordinary shares in connection with the offer for sale. Dividends per ordinary share are based on all dividends except preference dividends.

4.8 Fixed assets

At 31st March 1985 fixed assets comprised the following:–

	At Cost £'000	At Valuation £'000	Depreciation £'000	Book Value £'000
Freehold land and buildings	123	755	44	834
Cobalt	446	2,791	620	2,617
Plant and machinery	733	—	391	342
Fixtures, fittings and equipment	54	—	32	22
Total	1,356	3,546	1,087	3,815

Freehold land and buildings were valued in 1981 on an open market basis by King & Co., Chartered Surveyors. Cobalt was last valued by the directors on 9th January 1984 at current prices.

4.9 Debtors and prepayments

	30th June 1984 £'000	31st March 1985 £'000
Trade debtors	416	531
Other debtors	9	13
Prepayments	68	64
	493	608

4.10 Investments

	30th June 1984 £'000	31st March 1985 £'000
Government Securities at cost (market value £286,000)	—	295

4.11 Creditors: Amounts falling due within one year

	30th June 1984 £'000	31st March 1985 £'000.
Trade creditors	66	71
Corporation tax	296	503
Other taxes	21	42
Payroll taxes	4	3
Other creditors	30	5
Accruals	22	38
Dividends	—	74
	439	736

4.12 Provisions for liabilities and charges - deferred taxation

The amount provided and the full potential liability to deferred taxation is as follows:-

	30th June 1984 Amount provided £'000	30th June 1984 Full potential liability £'000	31st March 1985 Amount provided £'000	31st March 1985 Full potential liability £'000
Corporation tax deferred in respect of:				
Accelerated capital allowances	481	785	472	813
Revaluation surpluses	—	464	—	414
	481	1,249	472	1,227
Advance corporation tax recoverable	(16)	(16)	(32)	(32)
	465	1,233	440	1,195

4.13 Called up share capital

Isotron's share capital at 31st March 1985 was:-

	Convertible participating preferred ordinary shares	Cumulative redeemable preference shares	Ordinary shares	Total
Shares of £1 each:				
Authorised	2,400,000	1,600,000	150,000	4,150,000
Issued	2,400,000	1,600,000	50,000	4,050,000

Pursuant to special resolutions passed on 26th June 1985 and conditional on the ordinary share capital of Isotron being admitted to the Official List not later than 31st July 1985:

(a) The convertible participating preferred ordinary shares of £1 each were converted into 2,250,000 deferred shares of £1 each and 150,000 ordinary shares of £1 each.
(b) Each of the existing ordinary shares of £1 each was sub-divided into 4 ordinary shares of 25p each.
(c) The authorised share capital was increased to £5,300,000 by the creation of 4,600,000 ordinary shares of 25p each.
(d) Isotron purchased the 2,250,000 deferred shares of £1 for an aggregate consideration of £2,250 and the resulting authorised but unissued shares of £1 each were converted and sub-divided into 9,000,000 ordinary shares of 25p each.
(e) Conditional upon the purchase and conversion of the deferred shares, the amount of £2,250,000 standing to the credit of the capital redemption reserve account was capitalised and distributed by way of 9,000,000 ordinary shares of 25p credited as fully paid to holders of ordinary shares in the proportion of 45 shares for every 4 shares held following the reclassification and sub-division referred to above.
(f) Conditional upon the redemption of the redeemable preference shares subsequent to the offer for sale, the resulting £1,600,000 authorised but unissued share capital was converted into 6,400,000 ordinary shares of 25p each.

4.14 Reserves

(a) Distributable reserves

	1980 £'000	1981 £'000	1982 £'000	1983 £'000	1984 £'000	Nine months ended 31st March 1985 £'000
Balance at beginning of year	357	448	524	365	568	25
Retained profit/ (deficit) for year	91	62	(171)	164	(328)	160
Transfer of depreciation on revaluation surplus from revaluation reserve	—	14	12	39	183	—
Bonus issue of shares	—	—	—	—	(1)	—
Capitalised on acquisition of IPL and Gamma Laboratories by Isotron	—	—	—	—	(397)	—
Balance at end of year	448	524	365	568	25	185

(b) Revaluation reserve

	1980 £'000	1981 £'000	1982 £'000	1983 £'000	1984 £'000	Nine months ended 31st March 1985 £'000
Balance at beginning of year	140	248	231	448	409	—
Surplus arising on revaluation of cobalt	108	—	229	—	1,133	—
Deficit on revaluation of freehold property	—	(3)	—	—	—	—
Transfer of depreciation on revaluation surplus to distributable reserves	—	(14)	(12)	(39)	(183)	—
Capitalised on acquisition of IPL and Gamma Laboratories by Isotron	—	—	—	—	(1,359)	—
Balance at end of year	248	231	448	409	—	—

4.15 Commitments

(a) Capital expenditure authorised and contracted for at 31st March 1985 was £1,103,000 (1984: £139,000).

(b) The future minimum lease payments, all of which related to non-cancellable operating leases, to which the Group was committed as at 31st March 1985 amounted to £67,000 (1984: £111,000) and fall due as follows:

	£'000
3 months to 30th June 1985	9
Year to 30th June 1986	28
Year to 30th June 1987	21
Year to 30th June 1988	6
Year to 30th June 1989	2
Year to 30th June 1990 and after	1

4.16 Auditors to Group companies

We have audited the accounts of Isotron for the period ended 30th June 1984 and the nine months ended 31st March 1985. Prior to 9th January 1984 the accounts of IPL were audited by Ernst & Whinney and the accounts of Gamma Laboratories and GRS were audited by ourselves.

Yours faithfully,

Peat, Marwick, Mitchell & Co.

Chartered Accountants

Additional information

1. Isotron and its share capital

(a) Isotron was incorporated and registered in England and Wales on 21st November 1983 as a private limited company under the Companies Acts 1948 to 1981 (registration number: 1771333) with the name of Bricktrim Limited. Pursuant to a special resolution passed on 12th December 1983 the name of the company was changed on 22nd December 1983 to Isotron Limited. Pursuant to a Special Resolution passed on 6th December 1984, Isotron was re-registered as a public limited company on 21st December 1984.

(b) Isotron was incorporated with an authorised share capital of £100, divided into 100 ordinary shares of £1 each, and two ordinary shares of £1 each were issued nil paid on incorporation. Since the date of incorporation there have been the following changes in the share capital:—

(i) By an ordinary resolution passed on 16th December 1983 the authorised capital of Isotron was increased to £50,000 by the creation of 49,900 ordinary shares of £1 each. On the same date the two nil paid shares were paid up and 98 ordinary shares were allotted to various subscribers for cash at par.

(ii) On 4th January 1984, 49,900 ordinary shares of £1 each were issued to the Directors, managers and others for cash at par.

(iii) By a special resolution passed on 9th January 1984 the authorised share capital of Isotron was increased to £4,050,000 by the creation of 2,400,000 convertible participating preferred ordinary shares of £1 each (the "preferred ordinary shares") and 1,600,000 5% cumulative redeemable preference shares of £1 each (the "redeemable preference shares"). On that date 1,600,000 preferred ordinary shares and 1,600,000 redeemable preference shares were issued and allotted to various subscribers at par for cash with a view to the acquisition of IPL and 800,000 preferred ordinary shares were issued as consideration for the purchase of Gamma Laboratories.

(iv) On 6th December 1984, the authorised share capital of Isotron was increased to £4,150,000 by the creation of 100,000 ordinary shares of £1 each.

(v) Pursuant to special resolutions passed on 26th June 1985 and also (where appropriate) the consent or sanction given by the holders of each class of share in the capital of Isotron, subject to and conditional on the ordinary share capital of Isotron issued and to be issued being admitted to the Official List by the Council of The Stock Exchange not later than 31st July 1985:—

A. the 2,400,000 preferred ordinary shares of £1 each were converted into 150,000 ordinary shares of £1 each and 2,250,000 deferred shares of £1 each (the "deferred shares");

B. each of the existing ordinary shares of £1 each was subdivided into 4 ordinary shares of 25p each;

C. the authorised share capital of Isotron was increased to £5,300,000 by the creation of an additional 4,600,000 new ordinary shares of 25p each;

D. new Articles of Association were adopted;

E. the contract referred to in paragraph 8(c) below for the purchase of the deferred shares was approved;

F. the 2,250,000 authorised but unissued shares of £1 each resulting from the purchase of the deferred shares were converted and subdivided into 9,000,000 new ordinary shares of 25p each;

G. the Directors were unconditionally authorised pursuant to Section 14 of the Companies Act 1980 (as re-enacted by Section 80 of the Companies Act 1985) to allot relevant securities (as defined in that Section):—

(1) in order to effect the capital re-organisation referred to herein and the allotment of the new ordinary shares pursuant to the offer for sale such authority to expire on 31st July 1985 or on the date following the date on which the ordinary shares of 25p each in the capital of Isotron are admitted to the Official List by the Council of The Stock Exchange (whichever is the earlier); and

(2) for any other purpose thereafter up to a maximum nominal amount of £900,000 such authority to expire on 25th June 1990;

H. the Directors were empowered until the conclusion of the Annual General Meeting of Isotron in 1986 to allot equity securities as defined in Section 17(11) of the Companies Act 1980 (and as re-enacted by Section 94(2) of the Companies Act 1985) pursuant to the authority referred to in G above as if Section 17(1) of the Companies Act 1980 (as re-enacted by Section 89(1) of the Companies Act 1985) did not apply to such allotment provided that the power contained in sub-paragraph G above is limited to the allotment of equity securities:—

(1) in connection with a rights issue subject to such exclusions or other arrangements that the Directors may deem expedient in relation to fractional entitlements or legal or practical problems; and

(2) in connection with the capital re-organisation referred to herein and the allotment of the new ordinary shares pursuant to the offer for sale such authority to expire on 31st July 1985 or on the date following the date on which the ordinary shares in the capital of Isotron are admitted to the Official List by the Council of The Stock Exchange (whichever is the earlier); and

(3) for any other purpose thereafter up to a maximum nominal amount of £180,000;

I. the sum of £2,250,000 was capitalised and distributed by way of 9,000,000 new ordinary shares credited as fully paid to the holders of ordinary shares resulting from the subdivision and reclassification referred to in A and B above in the proportion of 45 shares for every 4 then held; and

J. conditional upon the redemption of the redeemable preference shares the resultant and undesignated £1,600,000 of the authorised but unissued share capital of Isotron was converted into and designated as 6,400,000 new ordinary shares of 25p each and the Articles of Association were amended by the deletion of all references to the redeemable preference shares.

(c) The ordinary shares being offered for sale will be registerable in due course but are being offered in renounceable form.

(d) The provisions of section 89(1) of the Companies Act 1985 (which to the extent not disapplied confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid in cash) apply to the authorised but unissued ordinary shares which are not the subject of the disapplication referred to in paragraph (b)(v)H above.

(e) The new ordinary shares were created and will be issued by virtue of the resolutions and authorisations referred to in paragraph (b)(v) above and the resolutions of the Directors of Isotron.

(f) Following the offer for sale, 8,900,000 ordinary shares of 25p each will remain authorised but unissued; however, no material issue of shares in Isotron (other than to shareholders pro rata to existing holdings) will be made within one year of the date of this document, without the prior approval of the shareholders of Isotron in general meeting.

2. Memorandum and Articles of Association

(a) The Memorandum of Association of Isotron provides that the company's principal objects are to carry on the businesses of sterilisers, purifiers and processors and of manufacturers, wholesale and retail dealers, hirers, chemists, druggists and consultants. The objects of Isotron are set out in full in Clause 4 of the Memorandum of Association which is available for inspection at the address specified in paragraph 13 below.

(b) The Articles of Association of Isotron contain provisions, *inter alia*, to the following effect:—

(i) Voting rights

Subject to any restrictions attaching for the time being to any class of shares, on a show of hands every member present in person or by their duly authorised representative shall have one vote and on a poll, every member shall have one vote for each share held by him.

(ii) Variation of rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class or any such rights may, subject to the Companies Act 1985, be modified, varied or abrogated with the consent in writing of the holders of three fourths of the issued shares of the relevant class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class.

(iii) Transfer of shares

Any member may transfer all or any of his shares, but every transfer must be —

A. in writing and in the usual common form, or in any other form which the directors may approve and in respect of only one class of share; and

B. left, duly stamped (if so required by law), at the registered office of Isotron for the time being, or such other place as the directors may determine, for registration; and

C. accompanied by the certificate of the shares to be transferred and such other evidence (if any) as the directors may require to prove the title of the intending transferor or his right to transfer the shares; and

D. signed by or on behalf of the transferor and (except in the case of a fully paid share) by or on behalf of the transferee.

The directors may in their absolute discretion and without assigning a reason therefor refuse to register any transfer of shares not fully paid up. The directors may also refuse to register any transfer of shares in favour of more than four persons.

(iv) Entitlement to profits and surplus on liquidation

Subject to any special rights or restrictions attaching to any shares or any class of shares issued by Isotron in the future, the holders of the ordinary shares are entitled *pari passu* amongst themselves, but in proportion to the amount paid up or, in the case of a liquidation only, which ought to have been paid up on the ordinary shares held by them, to share in the profits of Isotron paid out as dividends and any surplus in the event of the liquidation of Isotron.

(v) Dividends

All dividends, interest or other sums payable unclaimed for one year after having been declared may be invested or otherwise made use of by the directors for the benefit of Isotron. All dividends unclaimed for a period of 12 years after having been declared shall be forfeited and revert to Isotron.

(vi) Borrowing powers

A. The directors may exercise all the powers of Isotron to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and, subject to the provisions of the Companies Act 1985, to issue debentures and other securities, whether outright or as security for any debt, liability or obligations of Isotron or of any third party.

B. The directors shall restrict the borrowings of Isotron and exercise all voting and other rights or powers of control exercisable by Isotron in relation to its subsidiaries (if any) so as to secure (so far, as regards subsidiaries, by such exercise they can secure) that the aggregate amount for the time being remaining undischarged of all monies borrowed (as such expression is defined in the Articles) by the Group and for the time being owing to persons outside the Group shall not, without the previous sanction of an ordinary resolution of Isotron, exceed an amount equal to twice the adjusted share capital and reserves of the Group (as defined in the Articles).

(vii) Directors

A. The directors shall not be required to hold any qualification shares.

B. The directors shall be paid by way of fees for their services as directors such sums (if any) as the directors may from time to time determine (not exceeding in the aggregate an annual sum of £50,000 or such larger amount as Isotron may by ordinary resolution determine) and such remuneration shall be divided between the directors as they shall agree, or failing agreement, equally. The directors may also be paid all reasonable expenses properly incurred by them in connection with the business of Isotron.

C. A director may be a director or other officer, servant or member of, or otherwise interested in, any company promoted by Isotron or in which Isotron may be interested as shareholder or otherwise, and no such director shall be accountable to Isotron for any remuneration or other benefits received or receivable thereby from such other company.

D. Any director who is appointed to any executive office or serves on a committee or who devotes special attention to the business of Isotron, or who otherwise performs services which, in the opinion of the directors, are outside the scope of the ordinary duties of a director, may be paid such extra remuneration as the directors may determine.

E. The directors may pay pensions and other benefits to, *inter alia*, any director, or ex-director and his or her dependants.

F. No director shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with Isotron. Subject to the provisions of the Companies Act 1985 (and, in particular, Part X of that Act) and save as therein provided no contract, arrangement, transaction or proposal entered into by or on behalf of Isotron in which any director is interested, whether directly or indirectly, shall be liable to be avoided, nor shall any director who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to Isotron for any profit realised thereby by reason of such director holding that office or the fiduciary relationship thereby established, but he shall declare the nature of his interest to the Board. Save as provided in the Articles in respect of certain specified matters, (including, *inter alia*, proposals concerning the offer of securities of or by Isotron in which offer such director is interested as a participant in the underwriting or sub-underwriting thereof, arrangements concerning any other company in which such director is interested, directly or indirectly and whether as an officer or shareholder or otherwise provided that he is not the holder of or beneficially interested in one per cent. or more of any class of the equity share capital or voting rights of the relevant company and proposals for the adoption, modification or operation of any scheme for enabling employees including full time executive directors of Isotron to acquire securities in Isotron) a director shall not vote in respect of any contract, arrangement, transaction or any other proposal, whatsoever in which he has any material interest otherwise than by virtue of his interest in shares or debentures or other security of, or otherwise in or through, Isotron. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

G. A director shall not vote or be counted in the quorum on any resolution concerning his own appointment as a holder of any office or place of profit with Isotron or any company in which Isotron is interested including fixing or varying the terms of his appointment or the termination thereof.

H. Subject to the provisions of the Companies Act 1985 (and, in particular, Part X of that Act) Isotron may by ordinary resolution suspend or relax the provisions described in sub-paragraphs F and G above to any extent or to ratify any transaction not duly authorised by reason of a contravention thereof.

I. The provisions of Section 293 of the Companies Act 1985, which regulates the appointment and continuation of office of directors who have attained the age of seventy shall apply to Isotron.

3. Executive Share Option Scheme

The principal provisions of the Rules of the Isotron Executive Share Option Scheme (the "Scheme"), which were adopted by a resolution of Isotron in general meeting passed on 6th December 1984 are summarised below. Following amendments made by the Directors on 23rd April 1985 the Scheme was approved under the Finance Act 1984 on 12th June 1985. Further amendments were approved by Isotron in general meeting on 26th June 1985 but their taking effect is conditional on Inland Revenue approval.

(a) Offers of participation may be made in respect of ordinary shares of 25p each ("ordinary shares") in Isotron from time to time to such full time executives (including executive directors) as the directors shall in their absolute discretion select. Ordinary shares acquired under the Scheme will rank *pari passu* in all respects with the existing ordinary shares.

(b) The maximum number of ordinary shares over which options under the Scheme may be granted shall not exceed 600,000 ordinary shares, or such greater number as may be approved by the ordinary shareholders not exceeding 615,000 ordinary shares. Subject to that limit, the directors have the right to grant any options in respect of any number of ordinary shares, provided that the number of ordinary shares in respect of which options may be granted at any particular date shall not, *inter alia*, when aggregated with all ordinary shares appropriated for issue under any other share incentive scheme during the preceding ten years, exceed the lesser of 10 per cent. of Isotron's issued ordinary share capital for the time being and 960,000 ordinary shares, and further, when aggregated with all ordinary shares appropriated for issue under any other share incentive or share option scheme during any three year period, shall not exceed 294,000 ordinary shares.

(c) The consideration for or on the grant of options is £1 and no options may be granted after 31st December 1994. Options, which may not be transferred or assigned, will not be exercisable before the expiry of 3 years from the date of grant (except in the case of the death of the option holder or in certain other circumstances including a takeover of Isotron). Options will normally lapse at the end of seven years from the date of grant but will also lapse 12 months after the death of the option holder or in certain other circumstances including, *inter alia*, cases where the option holder ceases to be a full-time executive of Isotron.

(d) The subscription price at which holders of options may acquire shares shall be determined by the directors on or before the date of grant of an option but shall not be less than the greater of:

(i) the nominal value of an ordinary share; and

(ii) prior to the admission of the ordinary share capital of Isotron to the Official List by the Council of The Stock Exchange, the market value of an ordinary share as determined by the auditors (and agreed with the Shares Valuation Division of the Capital Taxes Offices) for such date being not more than 21 days before the date on which the option is granted; and thereafter, the average of the middle market quotation for an ordinary share as derived from the Daily Official List of The Stock Exchange for the three dealing days immediately preceding the date of offer of such options.

(e) No executive may be granted options at any particular time to the extent that the subscription price at which ordinary shares may be acquired pursuant to the options, when aggregated with the value (at their subscription prices) of all shares acquired pursuant to options granted to him under the Scheme or any other share option scheme approved under the Finance Act 1984 during the preceding ten years exceeds four times the executive's relevant emoluments for the current or preceding tax year.

(f) The price at which options may be exercised and/or the number of shares the subject of options is subject to adjustment in the case of rights or capitalisation issues, and reductions, consolidations or sub-divisions of the share capital of Isotron, in such manner, subject to the prior approval of the Inland Revenue, as the directors (with the written agreement of the auditors of Isotron that the adjustments are in their opinion fair and reasonable) may deem appropriate.

(g) The directors have the power to amend the rules of the Scheme and in particular to ensure that it qualifies as an approved scheme under any legislation for the time being in force relating to approved share option schemes provided that no amendment adversely affecting the rights of option holders or *inter alia* the basis of calculation of the subscription price, the total number of ordinary shares available under the Scheme and the maximum number of ordinary shares that may be subject to options granted to any one executive or the definition of an executive may be made without the prior approval of Isotron in general meeting.

Options under the Scheme were granted as set out below to certain executives of Isotron (adjusted for the effect of the capital reorganisation referred to in paragraph 1(b)(v) above):—

Date of grant of option	Number of ordinary shares of 25p each	Subscription price
1st February 1985	49,000	48.98p
22nd February 1985	14,700	48.98p

4. Directors and other interests

(a) The beneficial interests (as defined in the Companies Act 1985) of the Directors in the share capital of Isotron immediately following the offer for sale but (with the exception of Mr. C. R. Thompson who will be allocated 10,000 shares in the offer for sale at the striking price) disregarding any ordinary shares which may be allocated to Directors pursuant to applications made under the offer for sale will be:—

	Number of ordinary shares	*Percentage*
C. G. Clive	640,269	5.2
J. Grant	417,000	3.4
F. J. Ley	390,000	3.2
T. F. Summers	375,980	3.1
C. E. Fitzherbert	75,000	0.6
E. A. P. Sells	75,000	0.6
C. R. Thompson	10,000	0.1

(b) Following completion of the offer for sale, so far as the Directors are aware, *the following will be interested in 5 per cent. or more of the issued share capital of Isotron*:—

	Number of ordinary shares	*Percentage*
C. G. Clive	640,269	5.2
Midland Bank Trust Company Limited *(as trustee for Thompson Clive Growth Companies Fund)*	959,913	7.8
N. C. Lombard Street Nominees Limited *(as trustee for Scottish Investment Trust PLC)*	918,750	7.5
Thompson Clive Investments Limited	1,586,133	12.9

(c) Save as disclosed herein no Director has any interest in any transactions which are or were unusual in their nature or conditions or significant to the business of the Group and which were effected by Isotron or any of its subsidiaries during the current or immediately preceding financial year or were effected by Isotron or any of its subsidiaries during an earlier financial year and remain in any respect outstanding or unperformed.

(d) Messrs. Clive, Fitzherbert and Sells currently receive no remuneration or other benefits from Isotron, although certain fees, which are set out in paragraph 12(c) below, are paid to Thompson Clive for the services to Isotron of Messrs. Clive, Fitzherbert and Sells who are also directors and shareholders of Thompson Clive.

(e) The founders of Isotron were Messrs. Clive, Grant, Ley, Summers, Fitzherbert and Sells (whose addresses are set out under "Directors, advisers and bankers" above and whose activities outside the Group are summarised under "Directors, management and employees" above) and Thompson Clive, whose registered office is situated at 24 Old Bond Street, London W1X 3DA and whose principal activity is the management of venture and development capital funds.

5. Directors' service agreements and emoluments

(a) On 29th April 1985 Messrs. Grant, Ley and Summers entered into service agreements with Isotron for terms of two years and continuing thereafter unless terminated by either party giving not less than twelve months notice expiring on or after 30th April 1987. The basic annual salary (inclusive of director's fees) under each agreement is £25,000 subject to review not less than once in every year. Save as aforesaid, there are no existing or proposed service contracts or contracts for services between any of the Directors and Isotron or any of its subsidiaries.

(b) The aggregate remuneration and benefits in kind of the Directors, excluding the fees to Thompson Clive for the services of Directors, for the period from the incorporation of Isotron to 30th June 1984 amounted to £46,046 and are estimated to have amounted to £94,251 during the year ending 30th June 1985.

6. Premises

Isotron's business is conducted from the following locations:—

(a) Two freehold properties located at Moray Road, Elgin Industrial Estate, Swindon and at Roydsdale Way, Euroway Industrial Estate, Bradford. The Swindon site is 1.5 acres with 25,000 sq.ft. of plant and warehouse and 2,000 sq.ft. of office space. Two irradiation chambers are located on the site, one operating on a continuous basis and the other on a batch basis. The Bradford site is 2.6 acres with 20,000 sq.ft. of plant and warehouse and 1,000 sq.ft. of office space. One irradiation chamber which is operated on a continuous basis is located on the site.

(b) A leasehold property at Marcus Close, Upton Road, Tilehurst, *Reading which is held under a 21 year lease which commenced on* 30th September 1970. The rent is reviewed every seven years and is currently £41,500 a year, the last review being in September 1984. The site is 0.6 of an acre with 14,500 sq.ft. of plant and warehouse and 800 sq.ft. of office space. There is one irradiation chamber, operated on a continuous basis, located on the site.

7. Offer for sale arrangements

By an agreement (the "Offer for Sale Agreement") dated 27th June 1985 between (1) certain Shareholders of Isotron ("the Vendors") (2) the remaining Shareholders of Isotron ("the non-Vendor Shareholders") (3) the Directors of Isotron (4) Isotron and (5) Schroders, Schroders has agreed (conditionally upon the whole of the ordinary share capital issued and now being issued of Isotron being admitted to the Official List not later than 31st July 1985) to purchase 790,088 ordinary shares from the Vendors at the striking price and to subscribe or procure subscribers for 2,500,000 ordinary shares at the striking price and to offer such shares to the public at a minimum tender price of 120p per share, representing a premium of 95p over the nominal value of 25p.

Under the Offer for Sale Agreement Schroders has received warranties from the Directors (other than Mr. C. R. Thompson) in relation *inter alia* to the information contained in the Listing Particulars relating to the offer for sale and in addition has received an indemnity from Isotron and the Directors (other than Mr. C. R. Thompson).

Schroders will receive from the Vendors and Isotron a commission of 2½ per cent. of the value of the ordinary shares being offered at the minimum tender price and will pay commissions at the rate of 1¼ per cent. of such value to sub-underwriters and a commission to Cazenove & Co. Isotron has agreed to pay all other costs, charges and expenses relating or incidental to the offer for sale and the application for listing, including capital duty, The Stock Exchange listing fee, the costs and expenses of the Reporting Accountants, the charges of the Receiving Bankers and the Registrars, its own and Schroders' legal expenses and the costs of printing, advertising and circulating the Listing Particulars, together with fees to Schroders and to Cazenove & Co.

The Directors and Thompson Clive Investment Limited and Thompson Clive Growth Companies Fund have undertaken that without the prior consent of Schroders, not to be unreasonably withheld, they will not dispose of any ordinary shares prior to the announcement of the interim results of Isotron *in respect of the six months ending 31st* December 1985.

The Vendors and the non-Vendor Shareholders have together agreed pursuant to the Offer for Sale Agreement to indemnify Isotron against certain taxation which is primarily chargeable against third parties for which Isotron may become liable.

The number of shares which each of the Vendors has agreed to sell pursuant to the Offer for Sale Agreement is:—

Name	*Shares being sold*
T. Bruton	30,000
C. G. Clive	20,000
E. Courtney	4,500
D. G. Eastmond	4,000
Equity Capital for Industry Limited	48,020
Equity Capital Trustees Limited	28,542
C. E. Fitzherbert	11,730
D. Fletcher	40,670
J. Grant	73,000
K. Jeffery	4,000
F. J. Ley	100,000
Midland Bank Trust Company Limited *(as trustee for Thompson Clive Growth Companies Fund)*	319,970
E. A. P. Sells	11,730
T. F. Summers	66,000
R. H. Thompson	37,926
	790,088

8. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by Isotron or its subsidiaries in the two years immediately preceding the date hereof and may be or are material:—

(a) an agreement dated 9th January 1984 between (1) Isotron (2) LRC Investments Limited and (3) LRC International plc pursuant to which Isotron acquired the whole of the issued share capital of IPL for a consideration of £1,364,000 and further agreed to repay outstanding indebtedness amounting in aggregate to £1,705,284;

(b) an agreement dated 9th January 1984 between (1) C. G. Clive, Thompson Clive Investments Limited and Thompson Clive Growth Companies Fund and (2) Isotron pursuant to which Isotron acquired the whole of the issued share capital of Gamma Laboratories Limited in consideration for the issue of an aggregate of 800,000 preferred ordinary shares in Isotron;

(c) an agreement dated 26th June 1985 between (1) Isotron and (2) the *holders of the preferred ordinary shares of £1 each in Isotron* whereby, conditional upon the ordinary share capital of Isotron issued and to be issued being admitted to the Official List by the Council of The Stock Exchange by not later than 31st July 1985, Isotron has agreed to purchase and such holders have agreed to sell, pursuant to the Companies Act 1985, all of the deferred shares in the capital of Isotron for an aggregate consideration of £2,250;

(d) an agreement dated 26th June 1985 between (1) the Subscribers (as defined therein) (2) Isotron and (3) the Directors (as defined therein) whereby it was agreed that all continuing obligations under the agreement made between the parties thereto and dated 9th January *1984 pursuant to which the Subscribers agreed to subscribe at par* for an aggregate of 1,600,000 redeemable preference shares of £1 each and 1,600,000 preferred ordinary shares of £1 each would cease to have any effect; and

(e) the Offer for Sale Agreement referred to in paragraph 7 above.

9. Taxation

(a) Shortfall clearances under paragraph 18 of Schedule 16 to the Finance Act 1972 have been given with respect to Gamma Laboratories up to and including the financial year ended 30th June 1984. The Directors do not believe that any of the other members of the Group were close companies as defined by the Income and Corporation Taxes Act 1970. The Directors have been advised that following the reorganisation of the share capital of Isotron and the redemption of the redeemable preference shares referred to in paragraph 1 above Isotron will not be a close company. An indemnity has been given under the Offer for Sale Agreement for certain taxation matters including possible shortfall apportionments of the income of any member of the Group.

(b) When paying a dividend, Isotron has to remit to the Inland Revenue an amount of advance corporation tax ("ACT") at a rate which is related to the basic rate of income tax and is currently 3/7ths of the dividend paid. Accordingly the ACT related to a dividend currently equals 30 per cent. of the sum of the cash dividend plus the ACT. For shareholders resident in the UK, the ACT paid is available as a tax credit, which individual shareholders who are so resident may set off against their total income tax liability or, *in appropriate cases*, reclaim in cash. A UK resident corporate shareholder will not be liable to UK corporation tax on any dividend received. Whether holders of shares in Isotron who are resident in countries other than the UK are entitled to a payment from the Inland Revenue of a proportion of the tax credit in respect of dividends on such shares depends in general upon the provisions of any double tax convention or agreement which exists between such countries and the UK. Persons who are not resident in the UK should consult their own tax advisers on the possible applicability of such provisions, the procedure for claiming payment and what relief or credit may be claimed in the jurisdiction in which they are resident for such tax credit. Special rules would apply under current UK tax legislation to any capital distribution.

(c) Isotron has received clearance under Section 464, Income and Corporation Taxes Act 1970, in respect of the offer for sale.

10. Working Capital

The Directors consider that, taking into account the net proceeds of the issue of new shares and existing bank balances and facilities, Isotron will have sufficient working capital for its present requirements.

11. Profit estimate

(a) The Directors estimate, in the absence of unforeseen circumstances and on the basis of the audited accounts for the nine months ended 31st March 1985 and estimates for the three months ending 30th June 1985, profit before taxation for the year to 30th June 1985 of £1,120,000 on a turnover of £2,670,000.

(b) The following are copies of letters received by the Directors relating to these estimates:-

(i) From Peat, Marwick, Mitchell & Co., the Auditors to Isotron:—

The Directors,
Isotron plc,
Moray Road,
Elgin Industrial Estate,
Swindon, SN2 6DU

7-11 Station Road,
Reading, RG1 1LG

27th June 1985

Dear Sirs,

We have reviewed the accounting policies and calculations for the estimates of turnover and profit before taxation of Isotron plc, for which the Directors are solely responsible, for the financial year ending 30th June 1985, which are set out in the Listing Particulars dated 27th June 1985.

The estimates incorporate the turnover and profit before taxation shown by the audited accounts for the nine months ended 31st March 1985.

In our opinion the estimates, so far as the accounting policies and calculations are concerned, have been properly compiled on a basis consistent with the accounting policies normally adopted by Isotron plc.

Yours faithfully,
Peat, Marwick, Mitchell & Co.
Chartered Accountants

(ii) From J. Henry Schroder Wagg & Co. Limited:—

The Directors,
Isotron plc,
Moray Road,
Elgin Industrial Estate,
Swindon, SN2 6DU

120 Cheapside,
London, EC2V 6DS

27th June 1985

Dear Sirs,

We refer to the estimates of turnover and profit before taxation of Isotron plc for the financial year ending 30th June 1985 which are set out in the Listing Particulars dated 27th June 1985.

We have discussed with you the basis of the estimates. We have also discussed the accounting policies and calculations for the estimates with Peat, Marwick, Mitchell & Co., the auditors of Isotron plc, and we have considered their letter addressed to yourselves on this matter.

With regard to the basis used by you and the accounting policies and calculations reviewed by Peat, Marwick, Mitchell & Co., we consider that the estimates of turnover and profit before taxation referred to above, for which you are solely responsible, have been prepared after due and careful enquiry.

Yours faithfully,
for J. Henry Schroder Wagg & Co. Limited
N.R. MacAndrew
Director

12. General

(a) The costs and expenses of, and incidental to, the offer for sale including the cost of the application for listing of the ordinary share capital of Isotron, the accountancy fees and Isotron's and Schroders' legal fees, the costs of printing and advertising this offer for sale, the fees and expenses of the Receiving Bankers and Registrars and the fees and commissions payable to Schroders, Thompson Clive and Cazenove & Co. payable by Isotron are estimated to amount to £400,000 (exclusive of VAT). The total remuneration of Schroders, Thompson Clive, Cazenove & Co. and sub-underwriters, including underwriting fees and commissions, amounts to £164,000 (exclusive of VAT).

(b) There are not and have not been during the previous twelve months any legal or arbitration proceedings pending or threatened against Isotron or any member of its group which may have or have had a significant effect on the Group's financial position during the previous twelve months.

(c) The promoters of Isotron are Messrs. Clive, Grant, Ley, Summers, Fitzherbert and Sells and Thompson Clive. The remuneration, including pension contributions, private health insurance scheme contributions and the benefit of the use of a motor-car (calculated for taxation purposes) of Messrs. Grant, Ley and Summers for the financial year ended 30th June 1984, *the nine month period ended 31st March 1985 and as estimated for* the financial year ending 30th June 1985 are as follows:—

	Year to 30th June 1984	Nine months ended 31st March 1985	Year to 30th June 1985 *(estimated)*
J. Grant	£32,810	£24,281	£33,364
F. J. Ley	£32,775	£24,281	£32,364
T. F. Summers	£24,377	£22,150	£29,523

Messrs. Clive, Fitzherbert and Sells have received no remuneration or other benefits from Isotron. Mr. Clive has received a dividend on his holding of *preferred* ordinary shares since 9th January 1984 (the date of issue of such shares) amounting to £5,089.

During the two years prior to the date of this document, Thompson Clive has received fees (excluding VAT) from Isotron and its subsidiaries as follows:—

(i) fees for the services of Messrs. Clive, Fitzherbert and Sells as Directors of £23,677;

(ii) *fees for its own account* in connection with the establishment and capitalisation of Isotron of £79,500;

(iii) fees in connection with the offer for sale of £10,000; and

(iv) fees in connection with a marketing consultancy assignment of £5,000.

For the year to 30th June 1986 it is anticipated that fees of £20,000 in respect of Directors' services will be paid to Thompson Clive.

(d) Up to a maximum of 50,000 ordinary shares (1.5 per cent. of the shares being offered for sale) may be reserved for application from employees of Isotron. In addition, 10,000 *ordinary shares will be reserved* for application by Mr. C. R. Thompson. Save as aforesaid the ordinary shares which are the subject of the offer for sale have not been sold and so are available in whole to the public.

(e) IPL and Gamma Laboratories are wholly owned subsidiaries of Isotron although following the transfer of the assets and undertakings of each of the subsidiaries and of GRS to Isotron in July 1984 these companies are dormant.

(f) Peat, Marwick, Mitchell & Co. have given and have not withdrawn their written consent to the issue of this document with the inclusion herein of their name and report and their letter and the references thereto in the form and context in which they appear.

(g) Schroders has given and has not withdrawn its written consent to the issue of this document with the inclusion therein of its name and its letter and references thereto in the form and context in which they appear.

(h) King & Co. have given and have not withdrawn their written consent to the issue of this document with the inclusion therein of the reference to their name in the form and context in which it appears.

(i) There has been no significant change in the financial or trading position of Isotron since 31st March 1985.

(j) *The accounts of Isotron for the* period ended 30th June 1984 and the nine months ended 31st March 1985 have been audited by Peat, Marwick, Mitchell & Co. Prior to 9th January 1984 the accounts of IPL were audited by Ernst & Whinney, chartered accountants, of Becket House, 1 Lambeth Palace Road, London, SE1 7EU and the accounts of Gamma Laboratories and GRS were audited by Peat, Marwick, Mitchell & Co.

(k) For the purposes of Section 255 of the Companies Act 1985 the financial statements set out in this document are not full accounts. Full audited accounts of Isotron, IPL, Gamma Laboratories and GRS for all periods up to the year ended 30th June 1984 have been delivered to the Registrar of Companies. The auditors have reported under Section 14 of the Companies Act 1967 on the full accounts of Isotron, IPL, Gamma Laboratories and GRS for the periods referred to above; all such reports were unqualified.

13. Documents for inspection

Copies of the following documents may be inspected at the offices of Ashurst, Morris, Crisp & Co., Broadgate House, 7 Eldon Street, London, EC2 during usual business hours on any week-day (Saturdays and Public Holidays excepted) for a period of 14 days following the date of this document:—

(a) the Memorandum and Articles of Association of Isotron;

(b) the rules of the Isotron Executive Share Option Scheme;

(c) the material contracts referred to in paragraph 8 above;

(d) the Directors' service contracts referred to in paragraph 5 above;

(e) the letters from Peat, Marwick, Mitchell & Co. and Schroders set out in paragraph 11 above;

(f) the written consents from Peat, Marwick, Mitchell & Co., King & Co. and Schroders referred to in paragraph 12 above;

(g) the report of Peat, Marwick, Mitchell & Co. reproduced herein and their statement of adjustments;

(h) a letter from King & Co. confirming their valuation referred to in the Accountants' report; and

(i) the audited consolidated accounts for the period from the incorporation of Isotron to 30th June 1984 and the nine months ended 31st March 1985 and the audited accounts of IPL, Gamma Laboratories and GRS for the two accounting periods to 30th June 1984.

27th June 1985

Procedure for application

1. Applications (other than those on the Preferential Application Forms mentioned below) must be for a **minimum of 250 shares** and thereafter for the following multiples of shares:

Applications	**In multiples of**
for up to 1,000 shares	250 shares
for up to 5,000 shares	500 shares
for up to 10,000 shares	1,000 shares
for up to 50,000 shares	5,000 shares
for over 50,000 shares	10,000 shares

2. **Applications must be made on the Application Form provided (or on the Preferential Application Form mentioned below) and forwarded to National Westminster Bank PLC, New Issues Department, P.O. Box 79, 2 Princes Street, London EC2P 2BD together with a sterling cheque or bankers' draft for the full amount payable on application so as to be received not later than 10 a.m. on 4th July 1985. Photocopies of Application Forms will not be accepted.**

3. Preferential consideration will be given to applications on Preferential Application Forms received from employees of Isotron for an aggregate maximum of 50,000 shares (1.5 per cent. of the shares now being offered for sale). In addition, 10,000 shares are to be alloted to Mr. C. R. Thompson. In the event of excess applications being received from employees, the basis of allocation will be determined by Schroders at its discretion. Completion of a Preferential Application Form does not preclude such persons from also completing an ordinary Application Form.

4. Each application must be accompanied by a separate sterling cheque or bankers' draft. Cheques or bankers' drafts must be drawn on a branch in the UK, the Channel Islands or the Isle of Man of a bank which is either a member of the London or Scottish Clearing Houses Association or which has arranged for its cheques and bankers' drafts to be cleared through the facilities provided by the members of those Clearing Houses and must bear the appropriate sorting code number in the top right hand corner. Cheques and bankers' drafts must be made payable to "National Westminster Bank PLC", be crossed "Not Negotiable Isotron Shares" and must represent payment in full at the application price. The right is reserved to present all cheques and bankers' drafts for payment on receipt and to retain Letters of Acceptance and surplus application moneys pending clearance of the cheques of successful applicants. The right is also reserved to reject in whole or in part or scale down any application and, in particular, to reject multiple or suspected multiple applications.

5. Due completion and delivery of an Application Form or a Preferential Application Form accompanied by a cheque or bankers' draft will constitute a warranty that such cheque or bankers' draft will be honoured on its first presentation; attention is drawn to the declaration in the Application Form to that effect.

6. By completing and delivering an Application Form or a Preferential Application Form each applicant:—

(i) will be confirming that he is not relying on any information or representation in relation to Isotron other than those contained herein and, accordingly he will be agreeing that no person responsible for this document shall have any liability for any such information or representation; and

(ii) agrees that, in consideration of Schroders agreeing to consider applications upon the terms and subject to the conditions set out herein, such application may not be revoked until after 31st July 1985 and may only be revoked after that date to the extent that it has not been accepted prior to receipt of notice of revocation and that this paragraph shall constitute a collateral contract between the applicant and Schroders which will become binding upon despatch by post to, or as the case may be, receipt by National Westminster Bank PLC, New Issues Department, of the application.

7. All shares for which applications are wholly or partly accepted will be sold at the same price (the "striking price"), which will be not less than the minimum tender price of 120p per share. If applications are received for more than the total number of shares offered, the striking price will not exceed the highest price at which sufficient applications (including applications at above that price) are received for the total number of shares offered, but may be a price lower than such highest price. If applications are received for less than the total number of shares offered, the striking price will be the minimum tender price of 120p per share. Subject to the foregoing, Schroders will have complete discretion in deciding the striking price and the basis of allocation. In so deciding, Schroders will have regard to the need to establish a satisfactory market in the shares, for which purpose a reasonable number of shareholders is required. No allocation will be made in respect of applications at prices below the striking price.

8. Formal acceptance of applications which have been selected for acceptance will be effected by announcement of the striking price and the basis of allocation to The Stock Exchange, and will be subject to the conditions stated above. Acceptance will also be conditional on the Council of The Stock Exchange admitting the whole of the issued share capital of Isotron to the Official List not later than 31st July 1985. Moneys received in respect of applications will be returned if such condition is not satisfied by that date and, in the meantime, will be retained by National Westminster Bank PLC in a separate account. If any application is not accepted or is accepted for fewer shares than the number applied for, the application moneys or, as the case may be, the balance thereof will be returned to applicants. No interest will be paid on any moneys returnable to applicants, which will be sent through the post at the risk of the applicants concerned. It is expected that Letters of Acceptance will be posted to successful applicants on 10th July 1985 and that the admission of the ordinary shares of Isotron to the Official List will become effective on *11th July 1985* when dealings will commence.

9. Arrangements have been made for the shares now being offered for sale to be registered by Isotron free of stamp duty in the names of the successful applicants or the persons in whose favour Letters of Acceptance have been renounced provided that in cases of renunciation, Letters of Acceptance (duly completed in accordance with the instructions contained therein) are lodged for registration not later than 3 p.m. on 9th August 1985. Share certificates are expected to be posted on 6th September 1985.

Copies of the Listing Particulars and Application Forms may be obtained from:—

J. Henry Schroder Wagg & Co. Limited,
120 Cheapside,
London, EC2V 6DS

Cazenove & Co.,
12 Tokenhouse Yard,
London, EC2R 7AN

Isotron plc,
Moray Road,
Elgin Industrial Estate,
Swindon, SN2 6DU

and from the following branches of National Westminster Bank PLC:—

New Issues Department,
2 Princes Street,
London, EC2P 2BD

84 Commercial Road,
Swindon, SN1 5NU

and, until 3rd July 1985, from the Company Announcements Office of The Stock Exchange.

APPLICATION FORM

The application lists for the shares now being offered for sale will open at 10 a.m. on Thursday, 4th July 1985 and may be closed at any time thereafter

ISOTRON plc

Offer for Sale by Tender

by

J. Henry Schroder Wagg & Co. Limited

of 3,290,088 ordinary shares of 25p each at a minimum tender price of 120p per share, the price tendered being payable in full on application

* Number of shares applied for	** Price per share	Amount of cheque/bankers' draft enclosed
	p	£

UNLESS THE ABOVE BOXES ARE PROPERLY COMPLETED THIS APPLICATION MAY BE TREATED AS INVALID.

* Applications must be for a minimum of 250 shares and thereafter for the following multiples of shares:—

Applications	**In multiples of**
for up to 1,000 shares	250 shares
for up to 5,000 shares	500 shares
for up to 10,000 shares	1,000 shares
for up to 50,000 shares	5,000 shares
for over 50,000 shares	10,000 shares

** The price per share at which application is made must be indicated here and must be 120p or a higher price being a whole multiple of 1p.

FOR OFFICE USE ONLY

1. Acceptance No.

2. Shares accepted

3. Amount received £

4. Amount payable £

5. Amount returned £

6. Cheque No.

To J. Henry Schroder Wagg & Co. Limited

Gentlemen,

I/We enclose a sterling cheque or bankers' draft payable to "National Westminster Bank PLC" and crossed "Not Negotiable Isotron Shares" for the above mentioned sum, being the amount payable on application for the stated number of shares in Isotron plc ("the Company") at the price per share indicated above. I/We offer to purchase that number of shares and I/we agree to accept the same or any smaller number of shares in respect of which this application may be accepted upon the terms set out in the Listing Particulars relating to the offer for sale dated 27th June 1985 and subject to the memorandum and articles of association of the Company. I/We hereby authorise and request you to send to me/us a fully paid renounceable Letter of Acceptance for the number of shares in respect of which this application is accepted and/or a cheque for any moneys returnable, by post at my/our risk to the first address given below. I/We hereby authorise you to procure my/our name(s) to be placed on the register of the Company as the holder(s) of the shares so purchased by me/us the right to which has not been effectively renounced.

I/We declare that due completion and delivery of this Application Form, accompanied by a cheque or bankers' draft, constitutes a warranty that the cheque or bankers' draft will be honoured on first presentation. I/We acknowledge that any Letter of Acceptance and any moneys returnable may be held pending clearance of all applicants' cheques and bankers' drafts.

Signature .... Dated 1985

PLEASE USE BLOCK CAPITALS
Forename(s) in full ....
Surname and designation (Mr., Mrs., Miss or title) ....
Address (in full) ....
.... Post Code ....

ALL JOINT APPLICANTS MUST SIGN AND GIVE NAMES AND ADDRESSES BELOW. The signature on behalf of a corporation should be that of a duly authorised official who should state his representative capacity.

If this form is signed by an attorney, the power of attorney or a duly certified copy thereof must accompany this form.

No receipt will be issued for the payment on application but an acknowledgement will be forwarded in due course through the post, at the risk of the applicant(s), by a fully paid renounceable Letter of Acceptance and/or a remittance for any application moneys returnable.

PLEASE PIN CHEQUE/ DRAFT HERE

2 *Signature* ....
Forename(s) (in full) .... Surname and designation (Mr., Mrs., Miss or title) ....
Address (in full) ....
.... Post Code ....

3 *Signature* ....
Forename(s) (in full) .... Surname and designation (Mr., Mrs., Miss or title) ....
Address (in full) ....
.... Post Code ....

4 *Signature* ....
Forename(s) (in full) .... Surname and designation (Mr., Mrs., Miss or title) ....
Address (in full) ....
.... Post Code ....

INSTRUCTIONS

This form, duly completed, together with a cheque or bankers' draft, drawn in sterling on a branch in the United Kingdom, the Channel Islands or the Isle of Man, of a bank which is either a member of the London or Scottish Clearing Houses Association or which has arranged for its cheques and bankers' drafts to be cleared through the facilities provided by the members of those Clearing Houses and which must bear the *appropriate* sorting code number in the top right hand corner, made payable to "National Westminster Bank PLC" and crossed "Not Negotiable Isotron Shares", representing payment in full at the application price, should be lodged with National Westminster Bank PLC, New Issues Department, P.O. Box 79, 2 Princes Street, London EC2P 2BD, not later than 10 a.m. on Thursday, 4th July 1985. A separate cheque/bankers' draft must accompany each application. An application may be treated as invalid unless these conditions are fulfilled. All cheques/bankers' drafts are liable to be presented for payment on receipt. Photocopies of Application Forms will not be accepted. Applicants by post are advised to use first class post and to allow at least two days for delivery. Applications will be irrevocable until 31st July 1985 and may only be revoked after that date to the extent that they have not been accepted prior to receipt of notice of revocation.

APPOINTMENTS

CONTINENTAL WINE EXPERTS GROUP, Cawston, has elected Mr David A. Lee as chairman. He was UK chairman of D'Arcy MacManus Masius and worldwide deputy chairman of D'Arcy MacManus Masius.

★

Mr Patrick Carr has been appointed director of the BUSINESS DESIGN CENTRE which will open in spring 1986 in a refurbished Royal Agricultural Hall at Islington.

★

Mr Philip Heneghan has been appointed sales director of the industrial controls division of EMERSON ELECTRIC UK, Swindon. He joins from Simplex Electrical where he was sales and marketing director of the power centre division.

★

Mr Michael Nevill and Mr Michael Sullivan have been appointed to the boards of Vanbrugh Life Assurance and Vanbrugh Pensions, unit-linked subsidiaries of the PRUDENTIAL. Mr Nevill, who becomes sales director, was previously UK sales manager. Mr Sullivan, previously financial controller, becomes finance director.

★

BRYANT HOLDINGS has appointed Mr Paul Jillard, managing director of subsidiary Bryant Properties, as a director on the holding board.

★

Mr Jeffrey Lyes has been appointed chief executive of Good Relations Technology, a subsidiary of GOOD RELATIONS GROUP. He was deputy managing director of Granard Communications. He replaces Mr Jim Wakeley at Good Relations Technology, who takes up a full-time position in New York as head of Good Relations Inc.

★

Mr C. J. Tappin, who was appointed deputy group managing director of SPIRAX-SARCO ENGINEERING in 1983 in addition to his post as managing director of the group's major UK subsidiary, Spirax-Sarco, has relinquished the latter appointment to concentrate on his duties at group level. He will remain on the board of Spirax-Sarco as deputy chairman and has also been appointed chairman of Drayton Controls (Engineering). He has been succeeded as managing director of Spirax-Sarco by Mr T. B. Fortune, previously manufacturing director. Mr Fortune joined the board of Spirax-Sarco in 1978 and was appointed to the board of Spirax-Sarco Engineering in 1983.

★

Mr James Gammell has decided to retire as chairman of IVORY & SIME after the annual meeting on July 29. Mr Alex Hammond-Chambers will succeed him as chairman, and Mr Ian Rushbrook will be appointed a deputy chairman.

★

GRIEVESON GRANT, stockbrokers, has admitted to partnership: Mr N. T. E. Brown, Mr M. J. Costello, Mr G. R. Dudman, Mr G. A. Frakes, Mr D. J. Gould, Mr R. J. Griffiths, Mr R. J. McDonagh, Mr A. J. Melrose, Mr P. Meredith, Mr P. E. Phillips, Mr C. A. L. Sebag-Montefiore, and Mr G. I. Stradling.

★

BAIN DAWES has made the following changes in its organisational structure: UK Division—chairman, Mr Simon R. Arnold, managing director, Mr Terence R. Goulder; international division—chairman, Mr Derek Prince; overseas management & marketing division—chairman, Mr Paul Swain, managing director, Mr Tom W. L. Brittan; Bain Dawes Financial Services (formerly Bain Dawes & Partners)—chairman, Mr Arnold, managing director, Mr Robert W. Newman.

★

Mr Don Whitford has joined the board of the DISTILLERS COMPANY (HOME TRADE) as field sales director. He has been national sales manager with the company since it started trading in April last year.

★

Mr John Mayson Whalley, senior partner of Derek Lovejoy & Partners has been elected president of the LANDSCAPE INSTITUTE.

★

Mr Jeffery Kirkwham has been appointed a partner in the Lincoln office of PANNELL KERR FORSTER.

★

Mr R. Bowers retires as a director of both Sedgwick Insurance Brokers and Price Forbes on July 1. He remains on the board of SEDGWICK GROUP and will continue to be involved in advising clients. Mr K. A. Carter will succeed Mr Bowers as chairman of Price Forbes.

★

ASSOCIATED BRITISH PORTS HOLDINGS has made changes in the top management of Associated British Ports to take place when Mr Donald Stringer, currently deputy chairman and joint managing director, retires at the end of September. Mr John Williams, at present joint managing director, will become managing director. He is also chairman of International Cold Storage. Two assistant managing director posts will be created to be held by the present commercial director, Mr Martin Pudden, and the personnel director, Mr John Smith. Mr Pudden becomes assistant managing director (commercial) and Mr Smith assistant managing director (resources).

★

Mr Tony Bateman has been appointed director of Professional and Executive Recruitment (PER). He moves to this post from the Manpower Services Commission's finance branch where he was deputy head.

★

Mr A. W. P. Ross and Mr D. Stalham have been appointed to the board of FRAMLINGTON UNIT MANAGEMENT.

★

Mr Dick Sharman has ben appointed a director of VINTEN GROUP. He is president of Vinten Electro-Optics International, the group's California-based division. Mr Michael J. Hobb becomes managing director of Vinten Electro-Optics, which operates in the UK. He was employed by Optical Coating Laboratory, Inc. Mr Alan A. Clark has been appointed managing director of W. Vinten. He is also managing director of Vinten Avionic Systems and will now head the military and broadcast divisions.

★

LADBROKE GROUP has appointed Mr W. B. Thorpe as finance director of Ladbroke Group Properties. Mr Thorpe was finance director of Heron Property Corporation.

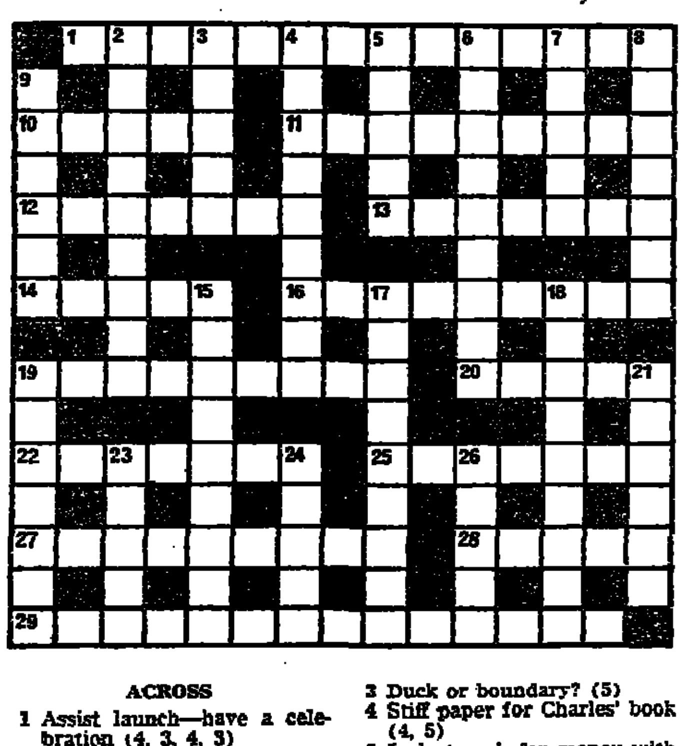
★

LOWE HOWARD-SPINK, CAMPBELL-EWALD has appointed Mr Keith Jacobs, marketing director of Birds Eye Walls, to its board as international vice chairman on September 1. He will have a wide ranging brief but will have particular responsibility for international development and marketing of the agency and its clients.

★

NATIONAL MUTUAL LIFE ASSURANCE SOCIETY has appointed Mr David Booth, deputy actuary, as actuary to subsidiary company, St George Assurance. Mr Paul Downey becomes an assistant actuary, National Mutual Life. Mr Stephen Hall, assistant general manager (pensions) in addition becomes a director of National Mutual Pensions.

F.T. CROSSWORD PUZZLE No. 5,757



ACROSS

1 Assist launch—have a celebration (4, 3, 4, 3)
10 Warehouse recalled that took in alcohol (5)
11 To fiddle meal or exchanges is quite a business (9)
12 Man of mild disposition (7)
13 Demo broken up (including rising), got there by road (7)
14 Snatches from America (5)
16 Limited way out from Cornwall? (8)
19 Saws that may not be cutting! (9)
20 Saws have them and they have to be cut! (5)
22 Giving money—about a pound (not working?) (7)
25 A display of cool skill. Curry in it? (3-4)
27 Realise wings of hotel crumbling. React strongly (5, 4)
28 To coin an expression in part is silly (5)
29 Old comics often in a mess (6, 3, 5)

DOWN

2 'eave 20 round the north—the last of many (9)
3 Duck or boundary? (5)
4 Stiff paper for Charles' book (4, 5)
5 Lady to ask for money with hesitation (5)
6 "A piece" signified, we hear, "quarters" (9)
7 Do our characters change when bouquet is given? (5)
8 Worked by foot, or in related fashion (7)
9 Close is tricky (6)
15 Sally getting on in magic (9)
17 Kind of labour N.U.S. surprisingly finished off (9)
18 One in the eaves (above drive, it is said) did it (9)
19 Clothes that could shock only just about on! (7)
21 Mistake producing hoot? (6)
23 Farewell expression not used by ... (5)
24 ... this lady, to an audience (5)
26 The show I have raised with thanks (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

July 1-3
Insurance Information Exchange—exhibition and seminar (01-831 6909)
City Conference Centre, EC3

July 2-4
P.C. Users Show (01-837 3699)
Olympia

July 9-11
National Education, Training and Development Exhibition and Conference (01-637 2400)
NEC, Birmingham

July 11-20
World Wine Fair (01-222 9341)
Exhibition Centre, Bristol

July 14-18
Gift Trade Fair (0282 867153)
Exhibition Centre, Harrogate

July 16-18
Drives, Motors, Controls Exhibition (0799 26699)
Olympia

August 18-21
International Craft and Hobby Fair (04252 72711)
Wembley Conference Centre

August 25-28
Scottish Autumn Gift Fair (0764 4204)
Anderston Centre, Glasgow

August 28-30
International Software Engineering Exhibition and Conference (01-240 1871)
Imperial College, London

August 29-September 1
International Home/Show Video and Television—VIDTEL (021-780 4171)
NEC, Birmingham

September 1-4
International Menswear Fair—MAB (0727 63213)
Earls Court

September 1-5
Autumn Gifts Fair (01-855 9201)
Olympia

OVERSEAS TRADE FAIRS

Current
European Fishing Tackle Trade Exhibition (01-681 1242) until July 1.
Copenhagen

July 15-20
Total Energy Exhibition (01-968 4567)
Guangzhou

July 17-25
International Cultivation, Harvesting and Packaging in Viticulture, Horticulture and Veg Growing Exhibition (0869 252131)
Kishinev

August 7-10
International Computer, Telecommunications and Office Automation Exhibition—INFOTECH THAI (04867 81084)
Bangkok

August 16-18
International Men's Fashion Week and International Jeans Fair (01-930 7251)
Cologne

August 24-28
Frankfurt International Fair (01-734 0543)
Frankfurt

August 25-30
International Heating, Ventilating & Air Conditioning Congress and Exhibition — CLIMA 2000 (Denmark 45 01 63 32300)
Copenhagen

August 27-29
Finnish Fashion Fair (01-486 1951)
Helsinki

August 27-29
International Security Conference and Exhibition ISC/EAST (01-891 5051)
New York

August 30-September 8
International Audio and Video Fair (01-749 3061)
Berlin

September 1-7
International Autumn Fair (01-493 3111)
Leipzig

BUSINESS CONFERENCES

July 1
The Institute for Fiscal Studies: The implications of the Fowler review of the social security system (01-636 3784)
Regent Palace Hotel, W1

July 1-2
Teesside and District Chamber of Commerce: Management of trade in industry (0642 240417)
Golden Eagle Hotel, Thornaby, Cleveland

July 2
Royal Institute of International Affairs: European Initiatives in Information Technology (01-930 2233)
Chatham House

July 3
London Chamber of Commerce and Industry: "Venezuela—an oil economy. Prospects for British suppliers" (01-248 4444)
69 Cannon Street, EC4

July 3-4
International Advertising Association (UK Chapter): Pan European Conference (01-546 4809)
Grosvenor House, W1

July 4-5
Longman Seminars: Copyright—new technologies and new opportunities (01-404 4756)
Barbican Centre

July 5
The Institute for Fiscal Studies: Exchange losses (01-636 3784)
Park Court Hotel, W2

July 8-10
Frost and Sullivan: Development of structured software (01-486 0334) Cumberland Hotel, London

July 9
The Industrial Society: Employing casual, part-time and temporary workers—implications of recent case law (01-839 4300)
London

July 9-10
FT Conference: Oil industry developments (01-621 1355)
London

July 11
Commonwealth Institute: Resources of the seas and oceans: our common heritage (01-603 4535)
Kensington High Street, W8

July 12
FT Conference: The City Revolution (01-621 1355)
Hotel Inter Continental, W1

July 16-17
CRAC/MSC/CBI: Adult education and training: needs, courses and marketing (0223 354551)
Robinson College, Cambridge

July 19
CBI: Corporate telecommunications—the realities (01-379 7400)
103 New Oxford Street, WC1

July 20
Commonwealth Institute: The Commonwealth and the Law of the Sea (01-603 4535)
London

July 28-31
Kluwer Conferences: Marketing insurance (01-568 6441)
Cookham, Berks

July 29-30
Metal Bulletin Conferences: Barter 4 — Latin American countertrade (01-330 4311)
Rio Palace Hotel, Rio de Janeiro

September 4-6
Frost and Sullivan: Integration of voice and data communications (01-486 0334)
Stockholm

September 9-10
Oyez IBC: 1985 European conference on solid modelling (01-236 4080)
Marriott Hotel, W1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
80, Holdenhurst Rd., Bournemouth BH8 8AL. 0202 292373

High Income				
Gilts & Fixed Int.	120.2	126.7	-0.2	10.28
High Inc Equity	68.8	73.2xd	-1.1	6.76
Worldwide Bond	144.2	153.5	+0.1	6.32
Capital Growth				
American Growth	136.4	145.1xd	-0.6	2.07
Asian Pacific	47.2	50.3	-0.1	2.99
Assets & Ernp. Tt.	71.5	76.5	-0.5	3.35
Capital Reserve	54.9	[illegible]	[illegible]	[illegible]
Commodity & Ency	67.6	72.7	-0.1	1.95
General	101.3	108.3	+0.3	3.51
Japan	147.8	159.0	-0.7	—
UK Growth Acc Units	97.7	105.1	-0.3	—
UK Growth Dist	68.7	73.9	-0.2	2.08

[illegible]

Brown Shipley & Co. Ltd. (a)(g)
9-17 Perrymount Rd, Haywards Hth 0444 458144

B.S. Fund	45.2	48.4	[illegible]	4.49
B.S. Accum	73.0	78.9	[illegible]	4.42
Financial	94.7	101.8	[illegible]	3.05
Growth Accum	142.9	152.9	[illegible]	—
Growth Income	94.0	100.6	[illegible]	2.94
High Income	48.0	51.6	[illegible]	7.22
Income	54.2	58.3	[illegible]	6.15
North American	52.5	56.5	[illegible]	1.25
Orient	47.2	50.8	[illegible]	2.21
Recovery	25.8	[illegible]	[illegible]	3.69
Technology	121.3	[illegible]	[illegible]	0.65
Exempt	153.2	164.7	[illegible]	3.79

Buckmaster Management Co. Ltd. (a) (c)
The Stock Exchange, EC2P 2JT. 01-588 2868

[illegible]

G. & A. Trust (a) (g)
5 Rayleigh Road, Brentwood. 0277 227300

G. & A.	84.7	89.8	-0.1	3.85

G.T. Unit Managers Ltd.
8th Floor, 8 Devonshire Sq., London, EC2M 4YJ. 01-283 2575 Dealing: 01-626 9431.

Capital Inc	69.1	74.0		1.9
Capital (Acc)	96.5	103.3	+0.3	1.9
Income	60.9	65.2		6.9
Liquid Reserve	101.9	103.5		4.1
Pension Exempt	127.3	135.9	+0.6	2.4
International	108.8	116.4	+0.6	0.6
U.S. & General	49.5	53.0	+0.4	1.3
Tech & Growth	67.6	72.3	+0.6	0.8
Japan & General	110.4	119.5	+0.7	0.4
Far East and Gen.	70.7	75.7	+0.4	1.0
European	133.1	142.4	+0.7	0.6

Gartmore Fund Managers (a) (c) (g)
2 St Mary Axe, EC3A 8BP. 01-623 1212

[illegible]

Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)
Registrar's Dept., Goring-by-Sea, Worthing, W.Sx. 0903 502541. Dealing 0444 459144

Balanced	138.1	147.7	+0.5	3.91
Do. (Accum.)	239.8	256.4	+0.4	3.91
Energy Int.	48.7	52.0	-0.1	2.60
Do (Accum.)	52.4	56.0		2.59
Extra Income	113.7	121.5	+0.1	6.85
Do (Accum.)	196.7	210.3	+0.5	6.85
Income	194.3	207.8	-0.2	5.42
Do. (Accum.)	369.3	394.9	+0.5	5.42
Int. Technology	144.9	154.9	+1.9	0.76
Do (Accum.)	148.4	160.6	+0.9	0.76
N. American & Gen.	92.4	98.8	+0.6	1.68
Do (Accum.)	98.2	105.0	+0.6	1.68
Pacific Basin	85.6	91.5	+0.5	0.83
Do. (Accum)	88.5	94.6	+0.2	0.83
Small Cos. & Recy	137.2	146.7	-0.3	1.81
Do. (Accum.)	151.4	161.9	-0.3	1.81
Worldwide Gwth	136.5	145.9xd	+0.6	1.49
Do (Accum.)	190.2	203.4	+1.1	1.49

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)
252 High Holborn, WC1V 7EB 01-405 8441

Pearl Growth Fd	59.9	63.7		3.52
Accum Units	88.5	94.1		3.52
Pearl Inc	84.7	90.1	+0.2	5.13
Pearl Unit Tst	88.1	93.7	+0.4	4.27
(Accum Units)	149.0	158.5	+0.6	4.27

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames. 0491 576868

Growth	177.3	190.4	+0.6	1.49
Income	131.5	140.8	+0.6	5.42
Worldwide Recovery	101.0	108.4	+0.6	2.10
American Growth	57.4	61.6	+0.5	0.65
Intl. Emerging Co.	63.6	67.88	-0.1	0.77
Far East Growth Fd	46.88	50.2	-0.1	1.00

Prolific Unit Trusts
222, Bishopsgate EC2 01-247 7544-7

Prolific Far East	102.8	110.1	-0.1	0.32
Prolific Extra Inc	58.9	63.3		6.15
Prolific Gilt Cap	79.5	82.7	-0.3	3.33
Prolific High Inc	120.2	129.9		5.70
Prolific Intl	83.3	88.8	-0.1	1.55
Prolific N. Amer	118.2	126.6	+0.6	1.51
Prolific Spec. Sits	130.6	140.4	-1.1	1.80
Prolific Technology	103.2	110.4	+0.4	0.69

Providence Capitol Fd. Mgrs. Ltd.
30 Uxbridge Road London, W12 8PG 01-749 9111

Japan Trust	48.7	51.9	-0.2	0.00
Worldwide	48.0	50.8	+0.1	1.62
European Trust	48.0	50.8	+0.1	1.69
North American	52.5	55.6	+0.3	2.04
UK Equity	47.6	50.4	+0.2	4.05

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-69 Ilford Hill Ilford Essex IG1 2DL 01-478 3377

Holborn Equity Tst	303.2	322.5	+1.3	3.83
Holborn Gilt Tst	148.7	155.8	-0.3	9.03
Holborn High Inc	52.3	55.6	-0.2	7.55
Holborn Intl	60.2	64.0	-0.1	0.55
Holborn UK Growth	60.3	64.1	+0.2	3.18

Quilter Management Co. Ltd.
31-45 Gresham Street EC2 01-600 4177

Quadrant Gen. Fd	302.8	322.3	-10.3	3.84
Quadrant Income	168.8	179.6	-11.2	7.00
Quadrant Intl. Fund	301.1	317.0	1	1.50
Quadrant Recovery	195.6	205.9		2.80

Reed Stenhouse Inv Services Ltd
145 Borough High St. Ldn SE1 1NV 01-628 6011

Wellington Inc	48.3	51.4	6.00
Wellington Growth	98.1	104.4	2.00

Reliance Unit Mgrs. Ltd.
Reliance Hse, Tunbridge Wells, Kent 0892 22271

British Life	127.3	134.6	+0.1	4.82
Reliance Unit Tst Inc	80.9	86.4		4.42
Reliance Ut Tst (Acc)	104.4	111.5		4.42

Ridgefield Management Ltd.
35 Fountain St. Manchester M2 2AF 061-236 5685

Income UT	87.4	44.0	-0.4	7.18
International UT	202.1	216.1	-2.0	1.00

N.M. Rothschild Asset Management
St Swithin's Lane, London EC4. 01 280 5456

NC America (Inc)	232.3	249.7	+1.3	1.34
NC America (Acc)	252.1	265.3	+1.5	1.34
NC Engy Res. Tst	166.0	174.7	+3.2	2.35
NC Inc. Fd	65.1	68.5		5.30
NC Japan Fund	111.5	117.3	+4.9	0.02
NC Smaller Co.	101.1	106.4	-0.4	2.21
NC Smaller European	100.5	105.7	-0.1	0.83
NC Exempt Gilt Tst	117.0	122.0		11.00
NC American Prop	11.21	11.80		—
NC Prop	178.9	196.0	+1.2	—

Rowan Unit Trust Mngt. (a)
1 Finsbury Av. London, EC2M 2PA 01-606 1066

American June 27	192.5	196.9		1.55
Securities June 18	537.0	552.0		2.45
High Yield June 28	127.5	131.0	-3.0	5.99
Merlin June 26	265.0	273.0		1.98
Fixed Interest	147.5	148.5	-0.5	2.90
High Interest	115.5	116.5		12.76
Far East June 25	121.0	124.5		1.11

Royal Life Fd. Mgmt. Ltd.
New Hall Place, Liverpool L69 3HS 051-227 4422

TSB Unit Trusts (b) (c) (y)
PO Box 3 Keens Hse. Andover Hants SP10 1PG
0264 62188 Dealings to 0264 63432 3

TSB American	98.7	105.0	+0.5	1.18
Do Accum	101.6	108.1	+0.5	1.18
TSB Extra Income	82.7	88.0	-0.3	6.55
Do Accum	92.1	98.0	-0.3	6.55
TSB General	112.0	119.1	+0.3	3.53
Do Accum	178.6	190.0	+0.3	3.53
TSB Gilt & Fxd Int	46.5	48.5	-0.1	9.52
Do Accum	56.1	58.5	-0.2	9.52
TSB Income	153.0	162.8	-0.1	5.20
Do Accum	230.8	245.6	-0.3	5.20
TSB Pacific	105.0	111.8	+0.1	1.05
Do Accum	107.7	114.6		1.45
TSB International	228.5	243.1	+0.4	1.90
Do Accum	278.0	295.8	+0.4	1.90
Natural Resources	44.7	47.6	-0.4	2.58
Do Accum	45.2	48.1	-0.4	2.58
TSB Spcl Opps	44.1	47.0	-0.1	2.78
Do Accum	47.4	50.5	-0.1	2.78

3i & Target Fund Mgrs Ltd
Target House, Gatehouse Road, Aylesbury, Bucks. Aylesbury (0296) 5941

Small Cos Fund	67.5	72.2	+0.2	0.10

Target Trust Mngrs. Ltd. (a)(g)
Target Hse, Gatehse Rd Aylesbury Bks (0296) 5941

American Eagle	67.1	71.7	-0.3	0.26
Australia	27.0	28.8	+0.4	0.10
Commodity	93.4	100.4		1.72
Energy	41.5	44.4	+0.5	0.79
Equity	91.9	98.0	+0.3	4.04
European Spec. Sits	50.1	53.6		0.93
Extra Income	87.8	93.9		7.72
Financial	191.7	204.5	+1.0	3.03
Gilt Capital	213.2	223.2	-0.7	3.75
Gilt Income	100.5	105.2		9.06
Gold Income	61.0	65.2	-2.5	2.34
Gold Acc	110.3	118.0	-0.7	2.34
Income	55.0	59.1	-0.3	6.33
Japan	44.7	47.7	+0.1	0.10
Malaysia & Singapore	24.8	26.5	-0.1	1.11
Pacific Income	67.0	71.7	-0.3	0.67
Pacific Re Inv	81.1	86.7	-0.6	0.87
Preference Share	15.9	17.2	-0.2	10.07
Professional	453.2	483.0	-2.0	1.80
Special Sits	80.0	85.6	+0.2	2.62
Technology	43.2	46.2	+0.7	0.10
U.S. Special Bond	49.8	53.3	+0.1	6.37
Worldwide Capital	108.5	115.7	-0.6	1.79
Equity Exempt June 25	606.6	647.0		2.53
Equity Ex Acc June 25	1114.9	1189.2		2.53

Temple Bar Unit Trust Mgrs Ltd
Electra Hse, Temple Pl, Vic Emb, WC2 836 7766

Electra Small Cos. Fd	125.80	132.72		3.79
High Income	40.6	43.5	-1.3	7.81
North American	106.8	113.6		0.68
Recovery	115.4	122.8		4.01
Gilt Trust	37.3	38.8		9.82
St Vincent U.S. Gwth	70.2	73.2		0.82
St Vincent High Inc	65.7	67.8	-1.7	6.92

Touche, Remnant Unit Trust Mngt. Ltd.
Mermaid Hse, 2 Puddle Dock, EC4. 01-248 1250

TR American Growth	26.8	28.9	+0.1	0.24
TR General Growth	35.3	37.6	-0.5	2.60
TR Global Tech	27.7	29.5	+0.3	0.10
TR Income Growth	41.6	44.8	-2.1	5.59
TR Income Monthly	37.9	40.4	-0.5	7.65
TR Overseas Growth	33.0	35.1	+0.1	1.78
TR Smaller Cos	38.2	40.7	-0.2	1.96
TR Special Ops	39.9	43.2	+0.1	1.26

Trades Union Unit Trust Managers
100, Wood Street, EC2 01-628 8011

TUUT June 1	134.5	141.6	3.59

Transatlantic and Gen. Secs. (c) (y)
91-99, New London Rd, Chelmsford 0245-51651

Conemco June 28	354.8	370.8	-10.3	4.78
(Accum Units)	565.5	592.1	-16.4	4.78
Fielding Fd June 27	184.2	193.9		4.05
(Accum Units)	199.9	210.5		4.05
Fielding Inc June 27	129.4	136.3		5.68
Fielding AG June 27	205.2	216.0		7.67
(Accum Units)	230.6	242.8		1.67
S&W American June 26	139.6	146.9		1.53
S & W Smaller Secs	92.1	97.0		2.23

Tyndall Managers Ltd.(a)(b)(c)
18, Canynge Road, Bristol 0272 732241

Australian Securities	60.0	64.2	+0.2	0.76
(Accum. Units)	61.7	66.1	+0.2	0.76
Capital	249.8	264.8	+1.4	4.30
(Accum Units)	431.4	457.4	+2.6	4.30
Exempt	215.0	229.0		7.67
(Accum Units)	465.8	496.2	-0.2	7.67
Far Eastern	119.2	128.1	+0.9	1.02

INSURANCE, OVERSEAS & MONEY FUNDS

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV [illegible]

World Wide Growth Management
10a Boulevard Royal, Luxembourg
Worldwide Gth Fd [illegible]

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech [illegible]
Dynamic Gwth Fd [illegible]

Money Market Trust Funds

The Charities Deposit Fund
2 London Wall, London EC2N 1DB — 01-588 1815
Deposit 12.2 [illegible]

The Money Market Trust
63 Qn Victoria St, EC4N 4ST — 01-236 0952
Call Fund 12.75 9.42 [illegible]
7-day Fund 12.18 [illegible]

Oppenheimer Money Management Ltd
66 Cannon St, EC4N 6AE — 01-236 1425
Call Fund [illegible]
7-day Fund [illegible]
Dollar [illegible]
Money Mngt. A/c [illegible]

Money Market Bank Accounts

Adam & Co. plc
22 Charlotte Sq, Edinburgh EH2 4DF — 031-225 8484
Full Service Cur Acc 12.25 8.75 [illegible] Qtr

Aitken Hume
30 City Road, EC1Y 2AY — 01-638 6070
Treasury Acc 12.375 [illegible] Qtr
Min Int Chq 12.25 [illegible] Mth

Bank of Scotland
38 Threadneedle St, EC2P 2EH — 01-628 8060
Cheque Acc 11.50 8.59 12.25 Mth

Barclays Prime Account
PO Box 125, Northampton — 0604 252891
High Int Cheque 12.00 8.875 13.29 Qtr

Britannia Investment Services Ltd.
29 Finsbury Circus, EC2M 5QL — 01-588 2777

[illegible]

NOTES

[illegible]

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	16	Midland Bk	30
BAT	32	NEI	8
BOC Grp	25	Nat West Bk	60
BSR	16	P & O Dfd	36
BTR	52	Plessey	17
Babcock	24	Polly Peck	26
Barclays	48	Racal Elect	18
Beecham	32	RHM	11
Blue Circle	45	Rank Org Ord	32
Boots	15	Reed Intnl	50
Bowaters	20	Sears	8
Brit Aerospace	33	TI	20
Brit. Telecom	11	Tesco	20
Brown (J)	3	Thorn EMI	35
Burton Ord	39	Trust Houses	13
Cadbury	14	Turner Newall	10
Comm Union	19	Unilever	85
Courtaulds	12½	Vickers	19
Debenhams	17½	**Property**	
Distillers	28	Brit Land	12
Dunlop	6	Cap Counties	18
FNFC	8½	Land Secs.	25
Gen Accident	45	MEPC	28
Gen Electric	17	Peachey	22
Glaxo	85	Samuel Props	14
Grand Met	25	**Oils**	
GUS 'A'	60	Brit Oil & Min	4
Guardian	60	Brit Petroleum	42
GKN	17	Burmah Oil	18
Hanson Tst	17½	Charterhall	6
Hawker Sidd	38	Premier	5
Hse of Fraser	30	Shell	60
ICI	60	Tricentrol	18
'Imps'	18	Ultramar	19
Jaguar	28	**Mines**	
Ladbroke	24	Charter Cons	18
Legal & Gen	50	Cons Gold	44
Lex Service	28	Lonrho	14
Lloyds Bank	45	Rio T Zinc	56
Lucas Inds	25		
Marks & Spencer	11		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Jan	July	AMEC 50p	240	13.5	11.0	2.3	6.5	9.5
July	Nov	Aberdeen Const	178	13.5	7.25	♦	5.8	♦
March		♦Access Satellite 5p	205	11.2	u2.0	2.5	1.4	40.2
—	—	Allied Plant 5p	17	—	—	—	—	—
—		♥Amco Ind Hldgs	22	—	—	—	—	—
May	Nov	Arncliffe 10p	50	15.4	0.1	♦	0.3	♦
July	Jan	Atwoods	89	17.6	3.5	1.8	5.6	15.6
Jan	Aug	BPB Inds. 50p	228	10.12	7.7	q3.0	4.9	8.9
Feb	Aug	Baggeridge Brick	254	24.12	6.25	3.7	3.5	10.8
Jan	June	Bailey (Ben) 10p	22	29.4	‡1.8	2.9		4.0
—		Baldwin (H. J.) 10p	33	11.80	—	—	—	13.0
May	Nov	Barratt Dev. 10p	76	15.4	7.62	1.1	14.3	9.3
Jan	July	Bellway	123	13.5	7.0	2.0	8.1	8.2
May	Oct	Benford M. 10p	66	29.4	3.75	0.7	8.1	35.1
Feb	Aug	♦Berkeley Group	166	24.12	3.6	♦	3.1	♦
Mar	Aug	Bett Bros. 20p	53	11.2	d3.1	1.6	8.5	9.1
June	Oct	Blockleys 20p	620	15.4	21.0	3.0	4.8	8.9
Oct	July	Blue Circle £1	505	29.4	20.0	2.9	5.7	6.8
Oct	May	Breedon Lime	208	15.4	8.9	1.1	6.1	20.4
Jan	Aug	Brickhouse Dudley 10p	62	10.12	3.45	♦	7.4	♦
Feb	Oct	BB & EA	138	24.12	13.0	4.8	3.1	8.1
Jan	June	British Dredging	67	14.30	2.5	1.8	5.3	15.1
—	—	Brown Jackson 20p	11	4.82	—	—	—	—
Jan	Jul	Brownlee	[illegible]	17.6	4.0	2.2	8.8	7.3

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		♥Centennial Min'ls	142	—	—	—	—
—		♥Colby Res Corp	85	—	—	—	—
Aug.	Feb	Cons. Murch 10c	475	14 1	†0100c	1 4	9.3
—		♥Eimes Int 10p	30	—	—	—	—
Sept	Feb	Hampton Areas 10p	130	04 12	3.75	ϕ	3.9
—		♥Highwood Res	145	—	—	—	—
May	Aug	Homestake Mining $1	£18½	22 5	Q30c	—	1 0
—		♥McFinley Red Lake	200	—	—	—	—
—		♥Musto Explorations	255	—	—	—	—
—		♥New Sabina Res C$1	42	—	—	—	—
—		Northgate C$1	275	9 77	—	—	—
Jan	July	RTZ	550	13 5	20 0	2.7	5.2
Jan	July	Do 9½pcLn 95-2000	£322	13 5	Q9½%	14 0	0.1
—		♥Tara Expln $1	£10½	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax free to non-residents on application
- ϕ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3)
- d Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ✦ Not comparable
- ♣ Same interim; reduced final and/or reduced earnings indicated.
- ✢ Forecast dividend; cover on earnings updated by latest interim statement
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- § Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided
- ¶ No par value

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend; cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend; cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	100		Arnott	165	
Craig & Rose £1	700	−50	CPI Hldgs	50	
Finlay Pkg 5p	61		Carroll Inds.	130	
Higsons Brew	233		Dublin Gas	53	
Holt (Jos) 25p	740		Hall (R. & H.)	56	
Ioll Sim £1	80	+5	Heiton Hldgs.	15	−2
IRISH			Irish Ropes	46	
Fund 11¼% 1988	£98¼		Jacob (W. & R.)	80	
Nat 9¾% 84/89	£92¾	+¼	Unidare	83	
Fin 13% 97/02	£103	+¼			

"Recent Issues" and "Rights" Page 22

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

Company Notices

AIRLEASE INTERNATIONAL FINANCE LIMITED
US$20,000,000 9% GUARANTEED BONDS 1986

Notice is hereby given that, in accordance with the Conditions of the Bonds 1,748 Bonds each of $1,000 principal amount have been drawn for repayment at their principal amount on the 1st August 1985 in full settlement of the instalment of the sinking fund due 1st August 1985, the balance having been purchased for cancellation. From that date, interest on the Bonds so drawn will cease to accrue, their definitive numbers are as follows –

422	609	3339	5219	5689	5916	16705	17226	17693	17893	18071	18275	18548
424	610	3355	5220	5690	5917	16706	17227	17694	17894	18072	18276	18550
425	611	3358	5221	5691	5918	16708	17228	17695	17895	18073	18277	18551
426	613	3365	5222	5695	5920	16709	17229	17696	17896	18074	18278	18555
427	614	3371	5223	5696	5971	16710	17230	17697	17898	18076	18281	18559
428	615	3376	5224	5697	5972	16711	17231	17698	17899	18077	18282	18560
430	616	3390	5228	5698	5973	16712	17232	17699	17900	18078	18284	18561
431	617	3392	5230	5699	5975	16713	17233	17700	17901	18079	18287	18562
432	618	3400	5231	5700	5976	16714	17234	17703	17902	18080	18288	18563
434	619	3403	5234	5701	5978	16715	17235	17705	17903	18081	18290	18564
435	622	3405	5236	5703	5979	16716	17236	17707	17904	18082	18291	18565
436	624	3407	5237	5705	5980	16717	17237	17709	17905	18083	18292	18566
437	625	3431	5238	5706	5981	16718	17239	17710	17906	18084	18293	18567
438	626	3432	5239	5707	5982	16719	17240	17721	17907	18085	18307	18568
441	627	3448	5240	5708	5983	16721	17243	17727	17909	18087	18308	18570
442	628	3455	5241	5709	5984	16723	17244	17728	17910	18088	18332	18571
443	677	3463	5242	5710	5986	16724	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
444	684	3479	5243	5711	5988	16725	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
445	715	3481	5245	5713	5989	16726	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
446	885	3484	5295	5714	5990	16727	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
450	886	3491	5296	5716	5991	16730	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
451	923	3492	5329	5718	5993	16731	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
452	924	3497	5358	5719	5994	16732	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
453	946	3506	5364	5720	5997	16733	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
454	1036	3507	5365	5723	6001	16735	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
455	1089	3510	5389	5724	6002	16736	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
456	1128	3513	5390	5725	6003	16737	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
457	1131	3519	5405	5726	6006	16738	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
458	1153	3526	5409	5728	6077	16739	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
459	1180	3558	5410	5729	6078	16741	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
460	1256	3561	5411	5730	6079	16742	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
461	1257	3583	5412	5731	6080	16743	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
466	1387	3585	5414	5732	6083	16744	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
467	1388	3591	5416	5733	6090	16745	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
468	1390	3593	5418	5734	6091	16746	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
469	1402	3595	5419	5735	6094	16747	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
470	1527	3596	5420	5736	6098	16748	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
471	1584	3601	5421	5739	6104	16749	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
472	1654	3610	5422	5741	6105	16750	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
473	1661	3626	5423	5742	6107	16752	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
588	3141	5191	5667	5896	16682	17046	17547	17873	18048	18255	18524	19810
589	3142	5194	5669	5897	16683	17047	17548	17874	18049	18256	18525	19812
591	3145	5195	5670	5898	16685	17048	17626	17875	18050	18257	18527	19820
592	3191	5196	5673	5899	16686	17049	17628	17876	18051	18258	18528	19823
593	3198	5199	5674	5900	16688	17050	17629	17878	18052	18259	18529	19903
595	3206	5202	5675	5901	16690	17051	17631	17880	18053	18261	18530	19913
596	3223	5203	5677	5905	16691	17052	17632	17881	18054	18262	18537	19914
597	3228	5206	5678	5906	16693	17053	17633	17882	18055	18263	18539	19935
598	3252	5207	5679	5907	16694	17054	17634	17883	18056	18265	18540	19940
599	3287	5208	5680	5908	16695	17055	17635	17885	18058	18266	18541	
602	3291	5209	5681	5909	16696	17217	17637	17887	18059	18267	18542	
603	3297	5210	5683	5911	16697	17219	17638	17888	18060	18268	18543	
605	3310	5211	5684	5912	16699	17220	17639	17889	18061	18269	18544	
606	3318	5212	5685	5913	16701	17223	17673	17890	18062	18272	18545	
607	3328	5213	5687	5914	16702	17224	17674	17891	18063	18273	18546	
608	3329	5217	5688	5915	16703	17225	17675	17892	18065	18274	18547	

The Bonds were drawn in the presence of Mr. E. B. Walker, Notary Public and Miss J. D. Reid, Kleinwort, Benson Limited, 20 Fenchurch Street, London EC3P 3DB.

On or after 1st August 1985, the above Bonds may be presented for redemption at their principal amount at the specified offices of the paying agents appointed as mentioned in the Conditions of the Bonds. Each of the above Bonds, when presented for redemption, must be accompanied by all the Coupons maturing after the redemption date. If such Coupons are not attached, the amount of the missing unmatured Coupons will be deducted from the sum due for payment. The Coupons due on 1st August 1985 should be presented for payment in the normal manner.

It should also be noted that Bond number 6364 drawn in 1979 and Bond numbers 4951, 6612 and 9843 drawn in 1983 have not yet been redeemed.

Airlease International Finance Limited

1st July 1985

CONTRACTS

Oswestry by-pass project

A £13.8m road contract heads projects, together worth more than £17m, awarded to **TARMAC CONSTRUCTION**. Work on the A483 Oswestry by-pass in Shropshire began last month and is scheduled for completion in two years. It involves the construction of 17 kilometre (10 miles) of single-carriageway road and nine bridges. The contract has been awarded by the Department of Transport.

Three contracts totalling more than £2m have also been awarded by Jaguar Cars at Coventry—a mezznine floor in an existing stores, road and car park, and pallet store. Other projects include civil engineering works at South Bank, Middlesbrough, for Smiths Dock (£254,000); and ivil engineering works at Billingham, for ICI (£200,000).

Smiths Dock (£254,000): and civil

Tarmac Construction, operating as Tarmac Cubitts, has contracts for a retail warehouse at Bridgwater, Somerset, for Peel Investments (UK) (£599,000); and work at Bank underground station, London, for London Regional Transport (£205,000). Tarmac Refurb has a £211,000 contract for remedial works to *Kingsforth House, Rugby*, for the Property Services Agency.

£15m Scottish pipeline work

A contract worth up to £15m has been awarded to **PRESS CONSTRUCTION** by Scottish Gas. The two-year contract for laying and maintaining gas distribution mains in Scotland is scheduled to run until May, 1987. Some 300 operatives organised in mobile crews will lay and repair distribution mains and services in and around Aberdeen, Ayrshire, Dumbarton, Fife, Inverclyde, north and south Glasgow and Tayside.

*

WILTSHIRE CANTERBURY has been awarded the contract for a £1.6m freight drivers' complex at the Port of Dover. Work on a single-storey building, adjacent to the Import Freight Building, has started and is due to be finished by Easter 1986. The design of the *building follows discussions* with the Les Routiers Organisation and takes into account views from a cros-section of freight drivers. The computerised information system, which informs drivers of custom clearance for their vehicles, will be extended.

New shopping centre for Hounslow

TAYLOR WOODROW CONSTRUCTION has started a contract to build a new £33m shopping development in High Street, Hounslow. The order has been placed by Taylor Woodrow Property Co which is developing the seven acre site in conjunction with Eagle Star Properties and in partnership with the London Borough of Hounslow.

The development, to be called The Treaty Centre, is scheduled to beopen for trading in autumn 1987.

Debenhams wjll occupy the anchor store of 87,000 sq ft in the scheme, which will comprise a total of 250,000 sq ft. International Stores will occupy a supermarket of 30,000 sq ft while Woolworth's will extend its existing High Street store into the development.

Included in the scheme will be 40 shop units, a multi-storey car park for 700 vehicles and a public library. Multiple traders have already sought reservations for units.

Construction of the three-storey shopping develapment will entail a reinforced concrete frame on pad foundations with facing brick external cladding and asphalt-covered roofs. The development will have a galleried central square with an atrium roof.

£20m Liverpool City Centre renewal

Site investigation is about to start at the Clayton Square site in Liverpool by **WIMPEY CONSTRUCTION UK** in preparation for a £20m city centre redevelopment scheme for Wimpey Property Holdings. It is likely that a start on the scheme will be made in the spring, says Wimpey, and will take some 2.5 years to complete. The redeveloped Clayton Square will comprise about 200,000 sq ft of shopping space in the heart of Liverpool's prime shopping area. There will be a major store and 30 shops of varying sizes, and a boulevard with cafe/restaurant area. A prominent feature of the scheme will be the glazed vaulted roofs of the two main malls. External elevations will be of traditional brick, stone and slate. As part of the development, Clayton Square, Parker Street and part of Church Street will be pedestrianised.

£5.4m Ealing development

COSTAIN CONSTRUCTION, Rickmansworth, has been awarded a £5.4m contract by Waterglade International Holdings to construct a shopping development in Ealing Broadway, W5, on a site formerly occupied by Bentalls. The development, to be known as The Waterglade Centre, consists of one fully-finished and 22 shell-finished retail units plus malls and service areas. Following excavation of the vacant site a reinforced concrete basement slab and retaining wall will be constructed. Above the basement level, the main structure is a two-storey, reinforced concrete frame will all external elevations finished in Ibstock red brickwork. The Waterglade Centre will feature a glass-encased passenger lift in addition to escalators, which will bear shoppers to all levels of the naturally lit mall and to the roof-level car park. The high-pitched roof will be slate covered and brickwork in the gable ends will be interlacked with reconstructed stone copings.

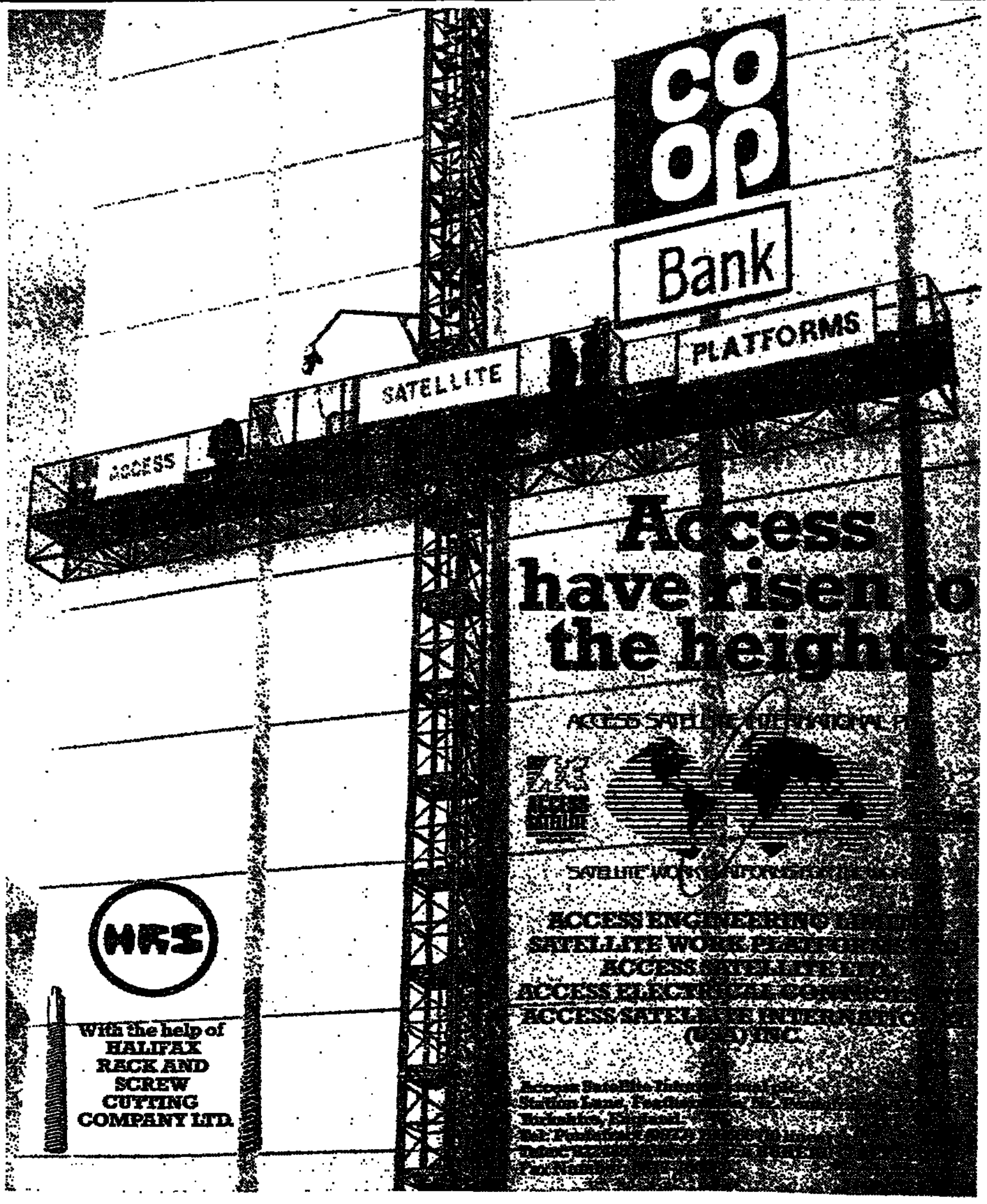
*

Contracts in the west worth *nearly £5m* have been won by **ERNEST IRELAND CONSTRUCTION** of Bath, part of the Mowlem group. The largest, valued at £866,000 is for the final phase of a multi-million pound scheme at Bristol University. It comprises a lecture theatre and new study units at the rear of existing university properties in Woodland Road, Bristol. Work is scheduled for completion in August 1986. At Shepton Mallet, Somerset, a design and construct contract, valued at *£866,000* has been awarded by Foster Yeoman, a quarrying company. The project includes building reinforced concrete bunkers for the storage of graded, crushed limestone aggregates and a conveyor tunnel to transport them to a rail loading terminal.

Ernest Ireland has been awarded a contract worth more than £750,000 for major alterations, including foundations for new high-speed and webb-offset equipment at the Paulton, Bristol, print plant of Purcell and Sons, part of the BPCC group. At Gang Warily, Hampshire, work has started on a two-storey sports pavilion, which will form part of a recreation centre for Fawley Parish Council. Valued at £579,000, the building will have a gross floor area of 1,255 sq metres and will provide changing and recreational facilities and a sports hall.

*

At Chilwell Garrison, near Nottingham, a refurbishment programme will transform 120 houses. Under a £2m contract placed with **JOHN LAING**, work includes complete rewiring and redecoration, replacement of windows, refittting kitchins and bathrooms, insulation of lofts and laying vinyl floors. A quarter of the homes will have front porches built and 20 will have two-storey extensions.



WORLD STOCK MARKETS

OVER-THE-COUNTER

Nasdaq national market, closing prices, June 28

Continued from Page 37

CANADA

TORONTO

Closing prices June 28

MONTREAL

Closing prices June 28

Indices

NEW YORK

NEW YORK ACTIVE STOCKS

FRANCE

1985 High	Low	June 28	Price Frs.
1,775	1,572	Emprunt 4½% 1973	1,573
8,829.9	7,355	Emprunt 7% 1973	8,210
300	235.2	Accor	281
719	546	Air Liquide	709
605	498	BIC	534
2,070	1,601	Bongrain	1,930
860	602	Bouygues	806
2,620	2,250	BSN Gervais	2,550
1,370	1,225	CIT Alcatel	1,230
2,540	1,790	Carrefour	2,151
635	503	Club Mediter	543
678	470.8	Cie Bancaire	623
302	239.5	Cofimeg	300
2,448	1,920	Damart	1,920
1,575	1,028	Darty	1,478
735	580	Dumez S.A.	675
750	529	Eaux (Cie Gen.)	695
250	200.4	Elf-Aquitaine	200.4
3,130	2,380	Essilor	2,470
792	645	Gen.Occidentale	725
134	72.6	Imetal	104
583	361	Lafarge Coppee	538
2,725	2,221	L'Oreal	2,431
2,395	1,850	Legrand	2,276
265.8	185	Maisons Phenix	230
1,980	1,565	Matra S.A.	1,579
1,220	735	Michelin B	1,195
2,830	2,078	Midi (Cie)	2,780
2,040	1,815	Moet-Hennessy	1,986
115.6	87.6	Moulinex	89.9
98.7	72.2	Nord Est.	89
805	665	Pernod Ricard	735
563	455	Perrier	542
277.9	235	Petroles Fra.	235
420	240	Peugeot S.A.	402
307	177.5	Printemps (Au.)	282
334	212	Radiotech.	304.9
1,480	119.2	Redoute	1,395
1,790	1,485	Roussel-Uclaf	1,665
379	281	Sefimeg	370
1741.7	1504.2	Skis Rossignol	1560
2,760	2,200	Telemech Elect.	2,675
590	410	Thomson (CSF)	524
260.5	206	Valeo	226

GERMANY

1985 High	Low	June 28	Price Dm
146.2	100.3	AEG-Telef.	142.5
1,565	861	Allianz Vers.	1,502
226.7	176.8	BASF	218.3
233.8	185	Bayer	225.7
360	309.5	Bayern Hypo	339
384	318.2	Bayern-Verein.	371
337	261	BHF-Bank	337
456	351	BMW	438
243	187.5	Brown Boverie	228
212.5	162.1	Commerzbank	212.5
157	114.5	Conti Gummi	155.8
857	593.5	Daimler Benz	851
370	338	Degussa	367
172	160	D'sche Babcock	157.5
597.8	383.5	Deutsche Bank	586
259.5	178.8	Dresdner Bank	259.5
172.8	147	GHH	170.5
560	460	Hochtief	540
239.7	182.5	Hoechst	227
117	97.5	Hoesch Werke	109.8
493	380	Holzmann (P)	460
188	163	Horten	186
312	280	Hussel	281.5
241.5	206	Karstadt	232
249.5	205.5	Kaufhof	247.5
284	247	KHD	268.5
82.2	66.5	Kloeckner	70
542.5	391	Linde	542.5
418.5	180	Lufthansa	197
177	143.5	MAN	177
190.6	149.7	Mannesmann	189
759.5	509	Mercedes Hld.	751
292	217.5	Metallgesell.	276
1,940	1,062	Muench Rueck	1,880
645	516	Nixdorf	573.5
1,489	1,025	Porsche	1,489
306	240	Preussag	295
184.1	150	Rhein West Elect	183.5
261	238	Rosenthal	261
510.5	439.5	Schering	504
585	478.4	Siemens	570.8
115	81.4	Thyssen	113
235	174	Varta	227
221	165.7	Veba	221
140	122	V.E.W.	132.5
333	300	Verein-West	333
328	189	Volkswagen	320

NORWAY

1985 High	Low	June 28	Price Kroner
172.5	124	Bergens Bank	136
444	335	Borregaarde	397.5
171	135.5	Christiana Bk.	136
171	143	Den Norsk Credit	153.5
165	118.5	Elkem	124.5
—	—	Kosmos	209
211	155	Kvaerner	157.5
355	302	Norsk Data	340
118.5	96	Norsk Hydro	99.5
289	217.5	Storebrand	260

ITALY

1985 High	Low	June 28	Price Lire
23,000	16,400	Banca Com'le	21,000
276	165	Bastogi IRBS	230.5
5,970	3,350	Bi-Invest Risp.	3,970
3,630	2,169	Centrale	3,450
4,560	3,875	Credito Varesino	4,121
3,950	2,065	Fiat	3,850
103	46	Finsider	70.2
51,300	34,450	Generali (Assic.)	49,800
43,560	24,820	Italcementi	40,350x
902.5	522	La Rinascente	890
1,961	1,340	Montedison	1,691
7,060	5,852	Olivetti	5,900
4,493	3,460	Pirelli Co	4,305
2,750	1,926	Pirelli Spa	2,725
—	—	Saipem	5,685
3,459	2,103	Snia BPD	3,285
17,500	12,420	Toro Assic	16,750
12,999	9,475	do. Pref	11,850

NETHERLANDS

1985 High	Low	June 28	Price Fls
234	188.5	ACF Holding	234
100	78	AEGON	94.7xc
234	194	Alhold	230
116.3	100.5	AKZO	110.2
459.5	369	ABN	458
251	210.8	AMEV	247.2
82	66.6	AMRO	79.2
179	146.5	Bredero Cert	170.5
20.9	12.8	Bos Kalis Westm.	18.4
96	75.5	Buehrmann-Tet.	88.2
38.3	33	Calland Hldgs.	36.8
191.5	159	Dordtsche Pet'm	177
128.5	117.5	Elsevier-NDU nv	121.9
65.8	43.1	Fokker	65.8xc
197.5	175.5	Gist Brocades	197.5
160.4	146.1	Heineken	146.6
70.4	57.2	Hoogovens	58.9
52.6	41.5	Int Mueller	49.3
63.3	47.3	KLM	59.8
53	47	Naarden	47.5
69.8	63.6	Nat Ned Cert	69.8
196	148	Ned Mid Bank	193
186	152.9	Nedlloyd	160
326.5	288.5	Oce Grinten	332.5

BELGIUM/LUXEMBOURG

SWEDEN

SWITZERLAND

1985 High	Low	June 28	Price Frs.
—	—	Aidia Intl.	3,120
920	721	Ausuisse	775
3,940	3,555	Bank Leu	3,880
1,810	1,380	Brown Boveri	1,810
3,235	2,470	Ciba-Geigy	3,200
2,510	2,030	do. (Part Certs)	2,510
2,930	2,325	Credit Suisse	2,930
2,890	2,610	Electrowatt	2,860
980	605	Fischer (Geo.)	980
96,000	83,500	Hoff RochePtCts	91,000
9,300	8,275	Hoff-Roche 1/10	9,125
6,350	5,535	Jacobs Suchard	6,350
2,395	1,890	Jelmoli	2,385
1,980	1,570	Landis & Gyr	1,860
6,700	5,600	Nestle	6,300
1,555	1,290	Oer-Buehrle	1,520
360	254	Pirelli	350
8,500	7,000	Sandoz (Br)	8,400
1,430	1,140	Sandoz (Pt Cts)	1,480
920	630	Schindler (PtCts)	920
1,370	1,000	Sika	1,350
4,980	3,785	Surveillance	4,915
1,375	1,048	Swissair	1,375
456	355	Swiss Bank	456
12,800	8,375	Swiss Reinsce.	12,800
6,520	1,430	Swiss Volksbk.	1,720
4,310	3,580	Union Bank	4,170
4,575	3,410	Winterthur	4,325
25,700	18,025	Zurich Ins.	25,325

AUSTRIA

1985 High	Low	June 28	Price %
391	225	Credit'stalt Pfd.	375
555	530	Goesser	525
1,950	400	Interunfall	1,950
383	222	Laenderbank	368
670	335	Perlmooser	610
220	165	Steyer-Daimler	182
620	245	Veitscher Mag.	570

DENMARK

1985 High	Low	June 28	Price Knr. %
326	257	Andelsbanken	324
645	520	Baltic Skand	595
335	259	CopHandelsbank	319
575	460	D. Sukkerfab	485
335	260	Danske Bank	335
1,260	1,085	De Danske Luft.	1,100
245	129	East Asiatic	212
1,000	770	Forenede Brygg.	915
153	88	Forenede Damp.	145
443	352	GNT Hldg	395
530	340	I.S.S.B.	450
705	464	Jyske Bank	705
1,895	1,315	Novo Ind	1,720
303	225	Privatbanken	303
573	280	Provinsbanken	355
258	217	Smidth (F.)	248
1,150	880	Sophus Berend.	1,055
497	395	Superfos	440

SPAIN

1985 High	Low	June 28	Price Pta %
350	306	Bco Bilbao	344
331	305	Bco Central	318
220	197	Bco Exterior	199
177	155	Bco Hispano	164
399	334	Bco Popular	346
364	327	Bco Santander	341
—	—	Bco Vizcaya	434
185.5	132.5	Dragados	140
94	7.7	Hidrola	81
109.5	81.2	Iberduero	93.7
185	130.0	Petroleos	132
135.7	94.5	Telefonica	115

AUSTRALIA

1985 High	Low	June 28	Price Aust. $
5.93	4.33	ANZ Group	4.45
1.15	1.05	Alliance Oil Dev.	1.05
2.11	1.75	Ampol Pet	1.85
1.12	0.75	Ashton	1.1
2.65	1.88	Aust. Cons. Ind.	2.58
3.4	2.3	Aust. Guarantee	2.4
3.0	2.28	Aust. Nat. Inds.	2.38
2.9	2.4	APM	2.7
7.36	4.7	Bell Group	7.02
7.5	4.25	Bell Res	6.6
1.6	1.16	Bond Corp Hldgs	1.25
3.48	3.16	Boral	3.24
2.49	1.61	Bougainville	1.9
4.05	3.45	Brambles Ind.	3.75
2.65	2.05	Bridge Oil	2.42
5.64	4.34	B. H. Prop.	6.34
7.4	4.28	CRA	5.9
3.18	2.64	CSR	2.84
6.63	4.28	Castlemaine Tys	6.34
4.18	3.60	Coles (C.J.)	3.82
2.88	1.9	Comalco "A"	1.9
0.45	0.31	Consolidated Pet	0.33
1.8	1.25	Costain Aust	1.6
2.35	1.86	Dunlop Olympic	2.25
3.53	2.85	Elders IXL	2.98
1.80	1.30	Energy Res.	1.45
2.82	2.09	Gen. Prop. Trust	2.20
3.45	2.9	Hardie (James)	3.45
2.56	1.59	Hartogen Energy	2.5xc
4.82	3.4	Herald W'yTimes	4.3
2.22	1.85	ICI Aust	1.85
0.39	0.22	Jimberlana F.P.	0.28
0.19	0.1	Kiaora Gold	0.14
7.34	5.1	Lend Lease	6.8
3.45	2.23	MIM	2.66
3.36	2.82	Mayne Nickless	3.0
2.40	1.65	Myer Emporium	2.35
4.44	3.40	Nat. Aust. Bank	4.15
8.7	5.25	News	8.8
2.1	1.29	Nicholas Kiwi	1.70
2.82	1.90	North Bkn Hill	2.2
1.03	0.65	Oakbridge	0.92
2.00	0.90	Pancont'l	1.72
1.80	1.56	Pioneer Conc.	1.76
4.65	2.55	Poseidon	3.3
1.69	1.07	Queensland Coal	1.62
3.55	3.0	Reckitt & Coln.	3.55
1.44	1.08	Repco	1.18
6.65	5.04	Santos	5.42
4.85	3.35	Smith (Howard)	4.8

SINGAPORE

SOUTH AFRICA

JAPAN

1985 High	Low	June 28	Price Yen
1,570	1,040	Ajinomoto	1,140
2,097	1,460	Alps Electric	1,610
1,134	870	Amanda	951
1,100	621	Asahi Chem	919
928	850	Asahi Glass	864
566	500	Bridgestone	561
1,480	1,080	Canon	1,180
2,060	1,510	Casio Comp.	1,650
1,250	1,000	Chugai Pharm.	1,070
596	427	Citizen	454
754	605	Daiei	734
1,190	925	Dai Nippon Ptg	1,130
669	532	Daiwa House	656
494	329	Ebara	451
2,002	1,183	Eisai	1,370
9,300	7,190	Fanuc	8,100
1,690	1,290	Fuji Bank	1,680
2,040	1,550	Fuji Film	2,040
1,320	930	Fujisawa	931
1,260	971	Fujitsu	1,020
3,540	1,600	Green Cross	2,400
478	352	Hasegawa	450
973	577	Heiwa Real Est.	860
893	702	Hitachi	740
1,210	1,050	Hitachi Credit	1,130
1,550	1,210	Honda	1,420
775	680	House Food	771
2,460	1,750	Hoya	1,980
453	323	Itoh (C.)	428
2,790	2,270	Ito-Yokado	2,610
1,480	785	Iwatsu	862
370	315	JACCS	350
7,890	4,860	JAL	7,280
880	660	Jusco	848
340	269	Kajima	313
852	724	Kao Soap	837
735	586	Kashiyama	680
745	548	Kirin	698
1,050	870	Kokuyo	1,030
482	433	Komatsu	460
748	601	Konishiroku	728
380	318	Kubota	350
662	510	Kumagai	620
7,100	3,960	Kyoto Ceramic	4,350
630	455	Maeda Const	560
1,460	940	Makino Milling	1,020
1,280	900	Makita	1,060
378	300	Marubeni	344
684	540	Marudai	636
1,280	952	Marui	1,190
1,690	1,390	MEI	1,420
820	625	M'ta Elec. Works	785
1,700	1,320	M'bishi Bank	1,700
705	512	M'bishi Corp	654
410	370	M'bishi Elect	394
841	539	M'bishi Estate	781
339	234	MHI	325
420	324	Mitsui Co	401
866	592	Mitsui Estate	805
672	365	Mitsukoshi	616
936	769	NGK Insulators	820
312	210	Nihon Cement	280
1,480	1,240	Nippon Denso	1,310
1,250	997	Nippon Elect	1,040
460	322	Nippon Express	429
2,400	1,180	Nippon Gakki	1,350
146	130	Nippon Kokan	146
999	774	Nippon Oil	956
693	504	Nippon Seiko	519
698	520	Nippon Shimpan	689
172	143	Nippon Steel	157
380	325	Nippon Suisan	371
12,900	9,360	NTV	11,200
320	226	Nippon Yusen	294
665	602	Nissan Motor	649
548	452	Nisshin Flour	512
184	156	Nisshin Steel	166
1,320	885	Nomura	1,270
1,430	1,060	Olympus	1,200
3,540	2,690	Orient Leasing	3,100
3,270	1,690	Pioneer	1,830
739	602	Renown	710
977	860	Ricoh	980
1,400	960	Sankyo	1,230
499	406	Sanyo Elect.	431
499	399	Sapporo	475
754	635	Sekisui Prefab.	715
9,440	8,330	Seven Eleven	8,580
1,180	879	Sharp	928
789	685	Shimadzu	745
930	642	Shionogi	845
1,220	1,040	Shiseido	1,100
5,020	3,460	Sony	4,210
1,070	780	Stanley	810
1,990	1,600	Sumitomo Bank	1,940
957	743	S'tomo Elect.	805
752	548	S'tomo Marine	745
159	143	S'tomo Metal	150
527	460	Taisei Dengyo	500
276	195	Taisei Corp	246
1,440	968	Taisho Pharm.	1,160
948	757	Takeda	844
6,560	4,350	TDK	4,730
491	429	Teijin	482
810	621	Teikoku Oil	761
964	700	Tokyo Marine	929
940	761	TBS	914
2,180	1,440	Tokyo Elect.Pwr	2,000
244	160	Tokyo Gas	225
770	638	Tokyo Sanyo	685
989	694	Tokyo Style	931
448	301	Tokyu Corp.	420
900	830	Toppan Print	879
603	426	Toray	485
435	355	Toshiba Elect.	365
756	625	TOTO	730
1,180	807	Toyo Seikan	1,180
1,380	1,190	Toyota Motor	1,270
3,440	1,650	Victor	1,710
740	677	Wacoal	703
835	680	Yamaha	710
4,360	2,600	Yamanouchi	3,060
867	610	Yamazaki	770
615	351	Yasuda Fire	600
545	410	Yokogawa Bdge.	495

HONG KONG

Closing prices, June 28

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	16	AAR	.48	2.5	14	306	19	18¾	19	+⅜
18⅞	9⅝	AGS			12	110	14⅞	14⅝	14⅝	−⅛
16½	9⅝	AMCA				80	10⅞	10⅝	10⅞	+⅛
21½	13¾	AMF	.50	2.7	58	2275	18½	18¼	18⅜	−⅛
48⅛	24¼	AMR			11	2722	48	47⅜	47⅞	+½
22⅞	18⅝	AMR pf	2.18	9.8		153	22½	22¼	22¼	
25⅞	22⅞	ANR pf	2.67	11.		1	23⅜	23⅜	23⅜	−⅛
14¼	7¾	APL				27	8	7⅞	7⅞	−⅛
61⅛	44⅜	ASA	2	4.0		175	50	49	49½	
27	12½	AVX	.32	2.4	11	414	14¼	13⅝	13⅝	−⅝
27⅞	16	AZP	2.72	9.8	8	1182	u28⅛	27⅞	27⅞	+⅛
58⅜	36¾	AbtLab	1.40	2.4	17	2734	57½	56½	57⅜	+⅜
25⅞	18	AccoWd	.50	2.2	17	338	22⅝	22¼	22½	+¼
24¾	12½	AcmeC	.40	2.4		31	16⅞	16⅝	16⅝	+⅛
10½	7⅝	AcmeE	.32b	4.1	10	31	7¾	7¾	7¾	−⅛
17½	15	AdaEx	1.92e	11.		85	17½	17¼	17½	+⅜
20	11⅞	AdmMl	.32	1.8	7	17	17½	17⅛	17½	+½
19½	6⅝	AdvSys	.53t	4.9	17	35	11⅛	10⅞	10⅞	
41⅛	22⅛	AMD			11	3843	26⅞	26	26	−¾
12¾	6⅞	Advest	.12	1.4		189	8¾	8½	8½	−¼
14⅝	9	Aerflex			13	73	13⅞	13⅝	13¾	−⅛
47	27¼	AetnLf	2.64	5.7	34	2203	46¾	46½	46⅝	+⅛
57⅜	52⅜	AetL pf	5.79e	10.		7	55½	55¼	55¼	−¼
37⅜	17⅞	Ahmns	1.20	3.3	15	1146	36	35	36	+⅞
3⅜	2½	Aileen				14	3	2⅞	2⅞	−⅛
55⅜	38⅝	AirPrd	1.20	2.2	12	x817	u55¾	54⅞	55½	+⅞
24⅜	13	AirbFrt	.60	3.0	11	154	19⅞	19⅝	19¾	+⅛
2	1	AlMoa s				21	1¾	1⅝	1⅝	
33⅜	26¾	AlaP pfA	3.92	12.		11	32½	32¼	32½	
8⅛	6¼	AlaP dpf	.87	11.		17	7⅞	7⅞	7⅞	−⅛
82	61½	AlaP pf	9	11.		z205	81	80	81	+1½
103¼	85⅜	AlaP pf	11	11.		z150	101	101	101	

Continued on Page 37

NYSE COMPOSITE CLOSING PRICES

Continued from Page 36

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
54⅝	30¾	Pennzo	2.20	4.3	23	571	51¼	50¾	51	−½
90	72	Penz pfB	8	8.8		z10	u91	91	91	+2
18⅞	9½	PeopEn	.20	7.1	7	295	17	16⅞	17	−⅛
45½	26	PepBoy	.40	.9	18	181	43⅞	43¾	43¾	−⅛
60⅝	39⅞	PepsiCo	.78	3.0	25	3065	u60¼	59½	60⅜	+⅜
30⅝	17⅞	PerkEl	.56	2.2	13	1015	25⅞	25⅜	25½	−⅛
10	7⅝	Prmian	1.21e	14.		621	8¾	8½	8¾	+⅛
22⅛	14	PeryDr	.28	1.3	16	89	21⅜	20⅞	21⅜	+⅜
44	31	Petrie	1.40	3.3	16	545	42⅛	41½	41⅞	−¼
28⅝	24⅜	PetRs	3.72e	14.		48	26⅝	26⅛	26½	+⅛
17	14	PetRs pf	1.57	9.4		17	16¾	16½	16¾	
6⅞	3⅝	Pirlnw	.95e	25.		28	3⅞	3¾	3⅞	+⅛
51¼	28⅝	Pfizer	1.48	3.0	15	2349	50¼	49⅛	49½	−⅞
22¼	12⅞	PhelpD				3437	17¼	16¾	17	−¼
51	34	Phelp pr	5	11.		14	46	46	46	+¼
43⅛	20¾	PhibrS	.54	1.3	27	6884	42⅞	42⅜	42⅝	+¼
16⅜	9	PhilaEl	2.20	14.	6	2727	15⅝	15⅛	15⅜	+⅛
31	22	PhilE pf	3.80	12.		z120	30½	30	30½	+½
34	25½	PhilE pf	4.30	13.		z300	33	32½	32½	−1½
67¼	50¼	PhilE pf	8.75	14.		z345	65¼	64¼	64¼	−¾
11½	9¼	PhilE pf	1.41	13.		115	10¾	10½	10⅝	
10⅞	8½	PhilE pf	1.33	13.		63	10⅛	9⅝	10	+⅛
60	43	PhilE pf	7.85	14.		z470	58½	56¾	57	−1¾
10¼	6⅝	PhilE pf	1.28	13.		40	9¾	9⅝	9⅝	
126	97	PhilE pf	17.13	14.		z100	121	120¾	121	
115	87	PhilE pf	15.25	14.		z180	110	109	110	−1
79	55	PhilE pf	9.52	13.		z50	72½	72½	72½	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices, June 28

Continued on Page 35

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Weaker dollar helps pound

BY COLIN MILLHAM

Sterling remained the main beneficiary from any move out of the dollar last week. High London interest rates, and the remarks by the Chancellor of the Exchequer and the Bank of England in its Quarterly Bulletin about the need to keep rates at or around this level left the pound at its highest level this year on Friday.

The exchange rate index of 81.3 was the highest since March 7 1984, and the rate of $1.31 against the dollar was the best close since August 30 last year. The foreign exchanges even managed to ignore nervousness about oil prices ahead of this month's meeting of Opec ministers.

Sterling has been helped by recent indications from the West German Bundesbank that the central bank is fostering a lowering of interest rates—the pound closed on Friday at its highest since January 1984 against the D-mark—and by a renewal of earlier expectations that the Federal Reserve will cut its discount rate to 7 per cent.

The dollar ended at D M3.0280, the lowest level since publication of the much better-than-expected U.S. gross national product flash estimate on June 20, and taken in general last week's economic data were not good for the dollar.

A rise of 4.1 per cent in May durable goods orders was way above expectations and gave the U.S. currency a temporary boost but when defence contracts were stripped out the increase was only 1.1 per cent, roughly in line with the market forecast.

Leading indicators rose 0.7 per cent in May, against an anticipated figure of about 1 per cent, but it was the downward revision in the April and March to falls of 0.6 per cent and 0.1 per cent respectively that had the greatest impact.

These figures were quickly followed by news of the second highest U.S. trade deficit ever in May, of $12.67bn and a sharp fall in exports during the month.

Dealers already suspected the rise of 3.1 per cent in second quarter GNP was too high, and now believe these latest figures are further strong evidence that GNP will revised down, possibly opening the way to lower U.S. interest rates and a weaker dollar.

STERLING INDEX

	June 28	Previous
8.30 am	80.8	80.7
9.00 am	80.7	80.6
10.00 am	80.7	80.7
11.00 am	80.7	80.7
Noon	80.7	80.7
1.00 pm	80.7	80.8
2.00 pm	81.0	80.7
3.00 pm	81.3	80.6
4.00 pm	81.3	80.6

£ IN NEW YORK

	June 28	Prev. close
£ Spot	$1.3075-1.3085	$1.2940-1.2950
1 month	0.56-0.55 pm	0.57-0.54 pm
3 months	1.53-1.49 pm	1.49-1.46 pm
12 months	4.20-4.05 pm	4.02-3.90 pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

June 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.2920-1.3135	1.3095-1.3105	0.57-0.54c pm	5.08	1.52-1.47pm	4.56
Canada	1.7641-1.7852	1.7790-1.7820	0.54-0.46c pm	3.37	1.36-1.22pm	2.90
Nethlnd.	4.43¾-4.48	4.46¾-4.47¾	2⅛-2⅛c pm	6.04	6½-6¼pm	5.71
Belgium	79.49-80.12	79.80-79.90	30-25c pm	4.13	80-71pm	3.78
Denmark	14.16-14.24	14.20-14.21	3⅛-2⅞ore pm	2.43	9½-8¼pm	2.48
Ireland	1.2610-1.2690	1.2640-1.2650	0.28-0.11p pm	1.85	0.56-0.32pm	1.39
W. Ger.	3.94-3.97½	3.96½-3.97½	2½-2¼pf pm	7.37	6⅞-6⅝pm	6.87
Portugal	224½-230½	227-230½	225-555c dis	−20.46	570-1640dis	−18.46
Spain	226-227½†	226¾-227¾†	30-55c dis	−2.25	165-215dis	−3.35
Italy	2,518-2,534½	2,533½-2,534½	par-4 lire dis	−0.95	5-10dis	−1.18
Norway	11.39¾-11.47¾	11.45-11.46	¼ore pm-¾ dis	−0.20	¾-1¼dis	−0.33
France	12.02½-12.12¼	12.10-12.11	2⅛-1⅝c pm	2.04	5¼-3⅞pm	1.51
Sweden	11.38½-11.47½	11.45-11.46	3½-4½ore dis	−4.12	11⅛-12dis	−4.04
Japan	322¾-327	325-326	1.87-1.77y pm	6.71	5.00-4.90pm	6.08
Austria	27.77-27.94	27.88-27.94	16-13¼gro pm	6.18	40⅞-37pm	5.58
Switz.	3.30-3.33½	3.32¾-3.33¾	2⅛-2c pm	7.44	6-5¾pm	7.06

Belgian rate is for convertible francs. Financial franc 80.95-81.05. Six-month forward dollar 2.65-2.60c pm. 12-month 4.25-4.10c pm. † Corrections (June 26): spread 225½-226¼, close 225½-226.

OTHER CURRENCIES

June 28	£	$		£ Note Rates
Argentina Austl.	1.0462-1.0474	0.8000-0.8010	Austria	27.70-28.00
Australia Dollar	1.9510-1.9550	1.4935-1.4960	Belgium	79.70-80.50
Brazil Cruzeiro	7,787-7,819	5,960-5,980	Denmark	14.15-14.27
Finland Markka	8.2280-8.2605	6.3230-6.3250	France	12.00-12.12
Greek Drachma	174.04-177.83	134.24-137.06	Germany	3.94-3.98
HongKong Dollar	10.1565-10.1665	7.7590-7.7620	Italy	2500-2550
Iran Rial	120.80*	92.90*	Japan	322-326
KuwaitDinar(KD)	0.3960-0.3970	0.30305-0.30320	Netherlands	4.44-4.48
Luxembourg Fr	79.80-79.90	60.90-61.00	Norway	11.36-11.47
Malaysia Dollar	3.2460-3.2510	2.4800-2.4850	Portugal	219-235
NewZealand Dlr.	2.6930-2.7030	2.0595-2.0660	Spain	218½-227
Saudi Arab Riyal	4.7620-4.7695	3.6510-3.6520	Sweden	11.36-11.47
Singapore Dollar	2.9090-2.9140	2.2225-2.2275	Switzerland	3.30-3.33
Sth African Rand	2.5615-2.5735	1.9595-1.9635	United States	1.28½-1.30½
U.A.E. Dirham	4.7945-4.8025	3.6720-3.6730	Yugoslavia	355-380

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 28	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian franc	44.9008	45.2655	+0.81	+0.90	±1.5471
Danish krone	8.14104	8.06607	−0.92	−0.83	±1.6419
German D-mark	2.24184	2.24895	+0.32	+0.41	±1.1475
French franc	6.87456	6.85414	−0.30	−0.21	±1.3689
Dutch guilder	2.52595	2.53484	+0.35	+0.44	±1.5171
Irish punt	0.72569	0.717724	−1.10	−1.01	±1.6673
Italian lira	1403.49	1433.15	+2.11	+2.11	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FORWARD RATES AGAINST STERLING

	Spot	1-month	3-month	6-month	12-month
Dollar	1.3100	1.3045	1.2951	1.2838	1.2683
D-Mark	3.9675	2.9431	3.8994	3.8412	3.7441
French Franc	12.1050	12.0844	12.0595	12.0358	—
Swiss Franc	3.3275	3.3066	3.2688	3.2130	3.1270
Japanese Yen	325.50	324.43	320.56	316.30	309.30

BANK OF ENGLAND TREASURY BILL TENDER

	June 28	June 21		June 28	June 21
Bills on offer	£100m	£100m	Top Accepted rate of discount	11.9728%	11.9327%
Total of applications	£461m	£379m	Average rate of discount	11.9659%	11.9171%
Total allocated	£100m	£100m	Average yield	12.33%	12.28%
Minimum accepted bid	£97.015%	£97.025	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	84%	41%			

DOLLAR SPOT—FORWARD AGAINST DOLLAR

June 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.2920-1.3135	1.3095-1.3105	0.57-0.54c pm	5.08	1.52-1.47pm	4.56
Ireland†	1.0230-1.0370	1.0340-1.0350	0.33-0.23c pm	3.28	0.90-0.75pm	3.22
Canada	1.3586-1.3632	1.3605-1.3615	0.19-0.22c dis	−1.80	0.58-0.63dis	−1.78
Nethlnd.	3.4040-3.4490	3.4095-3.4105	0.26-0.23c pm	0.85	0.93-0.89pm	1.06
Belgium	60.90-61.57	60.90-61.00	5½-6½c dis	−1.17	16-18½dis	−1.12
Denmark	10.82¾-10.97¾	10.85½-10.86	2-2½ore dis	−2.46	4¾-5¼dis	−1.82
W. Ger.	3.0190-3.0605	3.0275-3.0285	0.58-0.53pf pm	2.18	1.77-1.72pm	2.28
Portugal	174-176¼	174-175	250-500c dis	−25.64	650-1400dis	−23.36
Spain	172½-175	172½-173	100-120c dis	−7.56	335-365dis	−8.01
Italy	1,928-1,950	1,934-1,935	10-10½ lire dis	−6.31	30-30¾dis	−6.18
Norway	8.75-8.81¼	8.75¾-8.76¼	3½-4ore dis	−5.11	10½-11dis	−4.88
France	9.21½-9.32½	9.23½-9.24	2.30-2.50c dis	−3.08	7.00-7.75dis	−3.16
Sweden	8.73¾-8.81¼	8.73¾-8.74¼	6½-7ore dis	−9.19	18¾-19¼dis	−8.63
Japan	248.20-249.25	248.25-248.35	0.35-0.31y pm	1.59	1.00-0.95pm	1.56
Austria	21.20-21.50¾	21.20-21.25	2¼-1¾gro pm	1.12	6¾-4¼pm	1.02
Switz.	2.5320-2.5680	2.5390-2.5400	0.57-0.51c pm	2.54	1.65-1.59pm	2.54

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 61.80-61.90.

CURRENCY MOVEMENTS

June 28	Bank of England Index	Morgan Guaranty Change %
Sterling	81.3	−8.2
U.S. dollar	143.7	+29.4
Canadian dollar	88.0	−6.4
Austrian schilling	113.2	+2.6
Belgian franc	89.5	−11.1
Danish Kroner	77.9	−6.4
Deutsche mark	132.4	+6.8
Swiss franc	140.7	+8.0
Guilder	113.0	+3.2
French franc	65.5	−15.4
Lira	45.6	−17.0
Yen	155.1	+11.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 28	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.770814	0.567748
U.S. $	7½	0.988281	0.734949
Canadian $	9.57	*	1.00203
Austria Sch.	4½	21.4301	15.8014
Belgian Fr.	9¼	61.4417	45.2665
Danish Kr	7	N/A	8.06607
Dmark	4½	3.05844	2.24895
Guilder	5½	N/A	2.53484
French Fr	9½	9.30098	6.85414
Lira	15½	1946.60	1433.15
Yen	5	248.522	183.113
Norway Kr.	8	8.78387	6.47674
Span'h Pta.	—	174.397	128.606
Swedish K	11.5	N/A	6.47827
Swiss Fr.	4	2.55710	1.88404
Greek Dr'ch	20½	135.532	99.9678
Irish Punt	13¾	0.974884	0.71734

* C$/SDR rate for June 27: 1.36105.

EXCHANGE CROSS RATES

June 28	Pound St'rling	U.S. Dollar	Deutschem'k	J'panese Yen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.310	3.968	325.5	12.11	3.328	4.468	2534.	1.781	79.85
U.S. Dollar	0.763	1.	3.028	248.3	9.238	2.540	3.410	1935.	1.359	60.95
Deutschemark	0.252	0.330	1.	82.04	3.051	0.839	1.126	638.7	0.449	20.13
Japanese Yen 1,000	3.072	4.025	12.19	1000.	37.19	10.22	13.73	7785.	5.470	245.3
French Franc 10	0.826	1.082	3.278	268.9	10.	2.749	3.691	2093	1.471	65.96
Swiss Franc	0.301	0.394	1.192	97.82	3.638	1.	1.343	761.5	0.535	24.00
Dutch Guilder	0.224	0.293	0.888	72.86	2.710	0.745	1.	567.2	0.399	17.87
Italian Lira 1,000	0.395	0.517	1.566	128.5	4.777	1.313	1.763	1000.	0.703	31.51
Canadian Dollar	0.562	0.736	2.228	182.8	6.799	1.869	2.509	1423	1.	44.85
Belgian Franc 100	1.252	1.641	4.969	407.6	15.16	4.167	5.595	3175.	2.230	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

June 28	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days' notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	12¼-12⅜	7⅞-8	9½-9¾	[illegible]	5¼-5⅜	5½-5⅝	10¾-11	14⅛-14½	8⅞-9⅛	8⅞-9⅛	6¼-6⅜	9⅞-10⅜
One year	[illegible]	8¼-8⅜	9⅝-9⅞	[illegible]	[illegible]	5⅝-5¾	11¼-11½	14⅜-14⅞	9⅞-9⅛	9⅛-9⅜	[illegible]	9⅞-10⅜

Asian $ (closing rate in Singapore). Short-term 7⅝-7¾ per cent: seven days 7⅝-7¾ per cent: one month 7⅝-7¾ per cent: three months 7¾-7⅞ per cent: six months 7[illegible]-8[illegible] per cent: one year 8[illegible]-8[illegible] per cent. Long-term Eurodollars: two years 9¼-9½ per cent: three years 9⅝-9⅞ per cent: four years 10-10¼ per cent: five years 10¼-10½ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen: others two days' notice.

MONEY MARKETS

Little hope of lower rates

Mr Nigel Lawson, Chancellor of the Exchequer, and the Bank of 7ngland were in agreement last week about the inflationary problems implied by the level of poay settlements, and about the dangers involved in any sharp cut in interest rates.

The Chancellor's speech restated the need, mentioned in the Budget, to keep interest rates at a high enough level to maintain monetary conditions and bring down inflation.

In its Quarterly Bulletin the Bank of England warned of the acceleration in bank lending, and of the accompanying dangers to the rate of inflation.

This is further evidence, if any were needed, that clearing bank base rates are unlikely to be cut in the immediate future.

The mid-June money supply figures are generally expected to show a rise in sterling M3 somewhere between the very bad mid-April figure and the rather more encouraging rise to mid-May, but some dealers were hoping the data might be good enough to herald a cut in base rates. The commetns by the monetary authorities last week seem to have effectively ruled this out, and the market must have some fears that the statements wereintended to dampen enthusiasm ahead of further discouragink news on money supply and bank lending.

High London interest rates are also helping to keep the pound strong, despite nervousness about oil prices as minsters from the Organisation of Petroleum Exporting Countries prepare to meet on July 5 against the background of weak prices on the world market.

The U.S. Federal Open Market Comittee is scheduled to meet on July 9, and on Friday there were renewed hopes of an early reduction in the Federal Reserve's discount rate, after worse than expected U.S. trade figures and a fall of 2.1 per cent in May exports. This cast doubts about the reliability of the GNP flash estimate, with dealers suggesting the figure of 3.1 per cent growth, is almost certain to be revised down.

At the moment these events are unlikely to have much impact on London interest rates, and there is little or no expectations of a cut in base rates for at least one or two months.

UK clearing banks base lending rate 12½ per cent since June 12

MONEY RATES

June 28	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.20-5.30	10¼	1⅛-1⅝	6¾-6⅞	6.34375	14⅞-15¼	8.50	11¾-12
One month	5.40-5.55	10⅛-10⅜	5½-5⅝	6¾-6⅞	6.28125	14¼-14⅝	8⅝-8⅞	11¾-12
Two months	5.60-5.65	10¼-10⅜	—	—	—	—	—	11¾-12
Three months	5.55-5.70	10¼-10⅜	5⅛-5¼	6⅝-6¾	6.28125	14¾-15¼	8⅝-8⅞	11¾-12
Six months	5.6-5.75	10⅜-10½	—	6⅝-6¾	—	—	8¾-9	11¾-12
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	10⅛	—	6⅝	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

June 28 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	9-13¼	12¾-13	11½-13½	10-12¾	—	—	—	—	—
2 days notice	—	—	12¾-12⅞	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12¾-12⅞	12¾-12⅞	12⅞-13¼	12½-12⅝	—	—	—	—	—
One month	12¾-12⅝	12[illegible]-12[illegible]	12[illegible]	12⅞	12⅜	12[illegible]	12¼	12[illegible]	12¼	12[illegible]
Two months	12[illegible]-12[illegible]	12[illegible]-12[illegible]	12[illegible]	12[illegible]	12⅛	12⅛	12	12⅛	12[illegible]	12[illegible]
Three months	12[illegible]-12[illegible]	12[illegible]-12⅝	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	12-11⅞	12[illegible]-12⅝	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	11[illegible]-11[illegible]	12[illegible]-12[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	11[illegible]-11[illegible]	12-12⅛	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	13⅛-13⅛	—	[illegible]	[illegible]	[illegible]	[illegible]
Two months	13-12¾	—	[illegible]	[illegible]	[illegible]	[illegible]
Three months	13-12¾	—	[illegible]	[illegible]	[illegible]	[illegible]
Six months	12¾-12½	—	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	12⅝-12⅜	—	[illegible]	[illegible]	[illegible]	[illegible]
One year	12⅜-12⅛	—	[illegible]	[illegible]	[illegible]	[illegible]
Two years	—	11⅝	[illegible]	[illegible]	[illegible]	[illegible]
Three years	—	11½	[illegible]	[illegible]	[illegible]	[illegible]
Four years	—	11½	[illegible]	[illegible]	[illegible]	[illegible]
Five years	—	11½	[illegible]	[illegible]	[illegible]	[illegible]

ECGD Fixed Rate Finance IV: Average Rate of Interest period May 8 to June 4 (inclusive): 12.677 per cent. Local authority and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 13 per cent from July 1 1985. London and Scottish Clearing Bank Rates for lending 12½ per cent. Bank Deposit Rates for sums at seven days' notice 6.65-6.75 per cent (net). Treasury Bills: Average tender rate of discount 11.9659 per cent. Certificates of Tax Deposit (Series 6): Deposits £100,000 and over held under one month 12½ per cent; one-three months 12½ per cent; three-six months [illegible] per cent; six-nine months [illegible] 12 per cent: nine-12 months 12 per cent. Under £100,000 11½ per cent from June 27. Deposits held under Series 5 12 per cent. The rate for all deposits withdrawn for cash 8 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 28)

3 months U.S. dollars	
bid 7 3/4	offer 7 7/8
6 months U.S. dollars	
bid 8	offer 8 1/8

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4 pm)

Prime rate	9½
Broker loan rate	[illegible]
Fed funds	[illegible]
Fed funds at intervention	[illegible]
Treasury Bills	
One month	6.42
Two month	6.75
Three month	6.82
Six month	6.97
One year	7.18
Treasury Bonds	
Two year	[illegible]
Three year	[illegible]
Four year	[illegible]
Five year	[illegible]
Seven year	[illegible]
10 year	[illegible]
30 year	[illegible]

FINANCIAL FUTURES

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Sept	92.08	92.09	91.91	91.89
Dec	91.61	91.63	91.34	91.41
March	91.19	91.19	90.98	90.99
June	90.83	90.82	90.59	90.63
Sept	90.53	—	—	90.33

Estimated volume 5,749 (7,091)
Previous day's open int 17,640 (17,640)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume 2,100 (1,856)
Previous day's open int 6,157 (6,157)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Sept	110-11	110-12	109-25	110-08
Dec	110-28	—	—	110-23
March	111-02	—	—	110-31

Estimated volume 2,881 (1,234)
Previous day's open int 2,926 (2,926)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) −29 to −15 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume 490 (473)
Previous day's open int 4,351 (4,351)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Sept	0.3320	0.3323	0.3298	0.3293
Dec	0.3342	—	—	0.3316

Estimated volume 67 (473)
Previous day's open int 252 (252)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume [illegible]
Previous day's open int 182 (182)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume 2 (nil)
Previous day's open int 258 (266)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
June	123.10	124.30	123.00	123.15
Sept	125.20	125.60	124.55	124.80
Dec	125.60	—	—	125.40

Estimated volume 646 (373)
Previous day's open int 1,290 (1,290)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	77-06	77-08	76-02	76-10
Dec	76-09	—	—	75-19
March	75-06	—	—	74-10

Estimated volume 3,217 (2,884)
Previous day's open int 2,063 (2,063)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	76-14
Dec	[illegible]	[illegible]	[illegible]	75-14
March	[illegible]	[illegible]	[illegible]	74-15
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Close	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	92.85
Dec	[illegible]	[illegible]	[illegible]	92.46
March	[illegible]	[illegible]	[illegible]	92.10
June	[illegible]	[illegible]	[illegible]	91.79
Sept	[illegible]	[illegible]	[illegible]	91.53
Dec	[illegible]	[illegible]	[illegible]	91.29
March	[illegible]	[illegible]	[illegible]	91.07
June	[illegible]	[illegible]	[illegible]	90.86

CERT. DEPOSIT (IMM) $1m points of 100%

	Close	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	92.22
Dec	[illegible]	[illegible]	[illegible]	91.75
March	[illegible]	[illegible]	[illegible]	91.32

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Close	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	91.92
Dec	[illegible]	[illegible]	[illegible]	91.43
March	[illegible]	[illegible]	[illegible]	91.00
June	[illegible]	[illegible]	[illegible]	90.64
Sept	[illegible]	[illegible]	[illegible]	90.33
Dec	[illegible]	[illegible]	[illegible]	90.04
March	[illegible]	[illegible]	[illegible]	89.77
June	[illegible]	[illegible]	[illegible]	89.52

STERLING (IMM) Se per £

	Close	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	1.2815
Dec	[illegible]	[illegible]	[illegible]	1.2710
March	[illegible]	[illegible]	[illegible]	1.2630
June	[illegible]	[illegible]	[illegible]	1.2585

GNMA (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	—
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

	June 28	change		June 28	change
LONDON			NEW YORK		
Base rates	12½	Unch'd	Prime rates	9½	Unch'd
7 day interbank	12⅜	[illegible]	Federal funds	7⅞	[illegible]
3mth interbank	12⅛	Unch'd	3 Mth. Treasury Bills	6.83	−0.15
Treasury Bill Tender	11.9659	+0.048	6 Mth. Treasury Bills	6.97	−0.27
Band 1 Bills	12⅛	Unch'd	3 Mth. CD	7.57	+0.57
Band 2 Bills	12⅛	Unch'd	FRANKFURT		
Band 3 Bills	12	Unch'd	Lombard	6.0	Unch'd
Band 4 Bills	12	Unch'd	One Mth. Interbank	5.475	Unch'd
3 Mth. Treasury Bills	12	[illegible]	Three month	5.625	Unch'd
1 Mth. Bank Bills	12⅛	Unch'd	PARIS		
3 Mth. Bank Bills	12	[illegible]	Intervention Rate	10⅛	Unch'd
TOKYO			One Mth. Interbank	10⅛	Unch'd
One month Bills	6.28125	+0.0625	Three month	10¼	Unch'd
Three month Bills	6.28125	Unch'd	MILAN		
BRUSSELS			One month	14¼	Unch'd
One month	8¾	Unch'd	Three month	15	Unch'd
Three month	8¾	Unch'd	DUBLIN		
AMSTERDAM			One month	11⅞	Unch'd
One month	6½	+⅛	Three month	11⅞	Unch'd
Three month	6½	+⅛			

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

LIFFE OPTIONS REPORT

Sterling Currency—£25,000 c per £. Early contract volume was consolidated with commercial trading generated by institutional members in a firm cash market.

Est Volume Calls	Est Volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
1050	405	1157	1079

Eurodollar Future—points of 100%. A 20% increase on the first day's volume has immediately demonstrated the commercial base of this contract.

Est Volume Calls	Est Volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
161	188	77	120

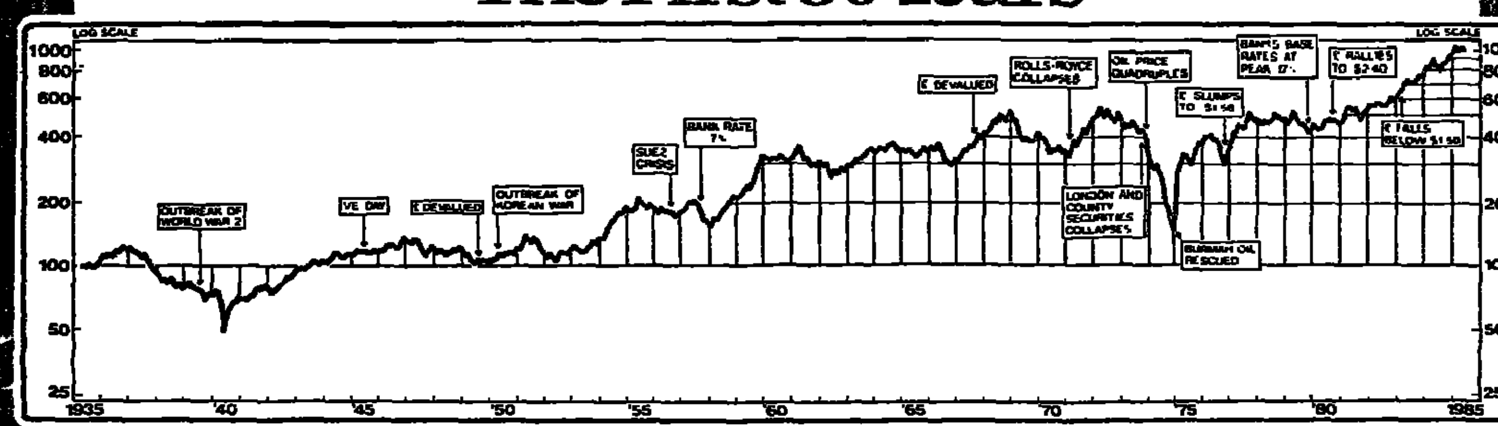
For full details of settlement prices call Louisa Powell at LIFFE on 01-623 0444. LIFFE, Royal Exchange, London EC3V 3PJ.

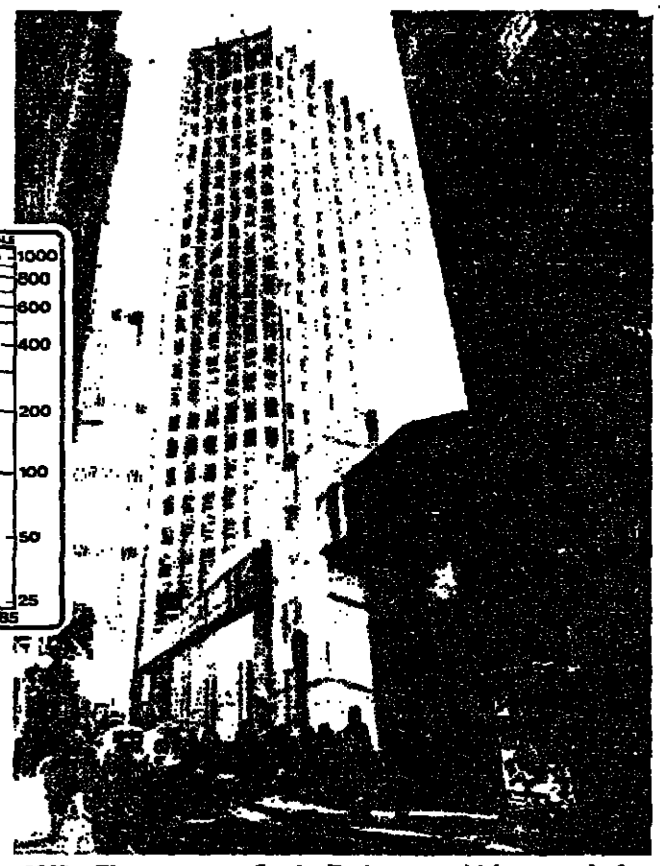
SECTION III

FINANCIAL TIMES SURVEY

1935: The main entrance of the old Stock Exchange building

FT Ordinary Share Index
The First 50 Years





1985: The present Stock Exchange, which opened for business in 1972.

Capturing the market's mood

By Richard Lambert

THE Financial Times Ordinary *Share Index—sometimes known* as the 30-Share Index or simply the FT Index—is 50 years old today. For five decades, it has provided a unique record of the changing moods of the City of London, British industry, and the economy at large.

Starting from July 1, 1935, it has charted a line which connects the grim summer of 1940 with the expansionary period of *the 1950's,* the *financial crisis* of the mid-1970's, and the strong bull market of the early 1980's.

Several generations of investors have become accustomed to describing market movements in terms of changes in the 30-Share Index.

In the early months of 1935, two figures were to be seen talking earnestly together in the old Financial News building on London's Bishopsgate, and in nearby pubs. They were Maurice Green, the editor, and *Richard Clarke, then his chief* leader writer, and they were discussing the business cycle.

They had good reasons to do so. *The UK economy was pulling* out of a desperate slump which, in the years following 1929, had taken coal production down by a fifth and the output of crude steel by nearly a half. At a time when Government statistics were primitive, there were all kinds of theories about the nature of the cycle. *Green had been reading* the works of the English economist William Jevons, who had managed to build a connection between commercial panics and sun-spots.

The two men decided that the Financial News could inject a little orderly thinking into this uncertainty. As Clarke wrote many years later: "We concluded that the best contribution we could make was to produce a truly modern and sensitive industrial ordinary share index, sensitive to the equity market's changing moods as reflected in price movements in the leading and most active shares in manufacturing industry."

This idea of using a share price index as an indicator of *the business cycle* was not original. It was well developed in the U.S., where in an influential book published in 1922, W P Hamilton had written: "If Wall Street is the general reservoir for the collection of the country's tiny streams of liquid capital, it is the clearing house for all the tiny contributions to the *sum of truth* about the facts of business."

Hamilton, the editor of the Wall Street Journal, had called his book "The Stock Market Barometer," and in it he argued that the share price averages at any one moment represented the sum of all human knowledge about the business outlook. "The *market,*" *he wrote,* "is not saying what the condition of business is today. It is saying what that condition will be in the months ahead."

In the City of London 50 years ago, the stock market certainly seemed to be saying something rather remarkable about the business outlook.

Share prices had more than doubled from their low point in the summer of 1932, and although there had been an uncomfortable shake-out in the early months of 1935, the trend had picked up smartly after that year's budget. The announcement of the RAF building programme had sent aviation shares soaring, while Britain's entry into the International Steel Cartel had been seen as a major bull point.

Moreover, the London Stock market was playing an increasingly important role in the national economy, which meant that its value as an economic indicator had been increasing. The new issue and merger booms of the 1920s had brought a substantial increase both in the total number of companies quoted on the stock exchange, and in their total values.

There were just 569 firms in domestic manufacturing and distribution quoted on the London market in 1907, and 719 in 1924. Fifteen years later, the number had climbed to 1,712 —and their total value had *risen more than £2.5bn, com*pared with less than £500m in 1907.

Important new industries had *been developed* after the First World War—in the 11 years to 1930, one-third of all Britain's *gross capital formation had* been directed to five major growth industries—rayon, electricals, motors, chemicals and paper. These new businesses were turning to the City for capital: in 1935, William Morris floated Morris Motors ordinary shares on the London Stock Exchange.

Other major corporations had also been emerging, too big to be owned by even the wealthiest *individual or family.* Whereas in 1919 there had only been one company—J. and P. Coats—with a market value of more than £40m, by 1930 there were seven: Unilever, Imperial Tobacco, ICI, Courtaulds, Coats, Distillers and Guinness.

Many of the best known names in British industry emerged in that period. Despite the enormous shifts in the economy over the past 50 years, *10 of the original constituents* of the 30-Share Index are still there today, while others, like EMI, Dunlop and London Brick, have been swallowed up by more recently chosen constituents to the Index. This contin*uity has turned out to be one* of the great strengths of the FT Ordinary Share Index.

Green and Clarke were not the first to devise a British share index. The Financial News itself had claimed to be the first to supply a daily index, in 1930, and rival indices included those calculated by the Actuaries and by the Investors' Chronicle.

But these had their short*comings, somewhat loftily* described in the Financial News' article announcing the introduction of the new Index, which is reprinted elsewhere in this survey. Not least, the reshaping of the corporate economy had made a new approach to the subject seem very timely.

The key decision was whether to construct an index which would take in a wide coverage *of stocks, but which might be* dominated by the inactivity of some very large blocks of equity, or to go instead for an indicator which would be more finely tuned to changes in market mood. In those pre-com*puter days,* ease of calculation was also a factor.

In the event, the new Index concentrated on a list of the most actively traded shares irrespective of their market capitalisation—and that, more than anything else, explains its longevity and its relevance in today's market.

Other equity indices have been devised in the intervening years to give a more compre*hensive picture of* the business cycle, and to serve as yardsticks for portfolio performance *(something which the 30-Share* was specifically never intended to do). But the 30-Share remains a sensitive indicator of market moods. Its behaviour is well understood in the market place, and it has the great asset of a long, unbroken *history.*

The FN 30-Share Index became the FT 30-Share Index *in January,* 1947, *following the* merger of the two newspapers, but the most important characteristics of the Index have remained unchanged.

Over the years, it has been complemented by the introduc*tion in 1962 of the FT-Actuaries* series of indices and—last year —by the development of the FT-SE 100.

The different construction and roles of the newer indices are explained in a separate article. But the essential features of the 30-Share are that it is based on a geometric rather than arithmetic mean and gives equal weight to each of the constituents rather than weight*ing them* by market capitalisation.

This means that its constituents have to be kept under review, not only to ensure that they remain actively traded but also because distortions can result in a geometric index if one price falls very sharply out of line with the other con*stituents.*

The collapse of companies

CONTINUED ON NEXT PAGE

Ordinary Share Index 2

The First 50 Years

Design stands test of time

By Barry Riley, Financial Editor

THE FT Index is still the single most widely quoted measure of the behaviour of the London stock market. Over 50 years, its design has stood the test of time. But there is no such thing as a universally applicable index, and in the past half-century the Financial Times has been instrumental in helping to create others—on the basis that they were complementary rather than intended as replacements.

As an index, the 30-Share continues to fulfil a number of important criteria.

● It is easy and quick to calculate. With only 30 constituents the prices can be speedily collected (although it is now less of an advantage that it does not require the elaborate computer facilities needed to produce certain more modern indices).

● It is sensitive. It is based upon heavily traded "blue chip" shares which are the first to respond to any changes in stock market sentiment.

● It is widely followed and its behaviour is clearly under stood. The Index has an unbroken history back to 1935, and a third of its constituents have remained in the 30 throughout the period.

The essential character of the Index was set by the decision to make it representative of British industry. Evere since, the balance between stocks from various sectors has been carefully maintained.

From time to time sectors have come and gone. The fossil fuel industry, for instance, disappeared after coal nationalisation in 1947 only to reappear in the 1970s when the development of North Sea Oil made it possible to bring in British Petroleum, which had previously operated almost exclusively overseas.

But when it has been necessary to replace constituents, the newcomers have either been from the same sector or have been selected so as to improve the overall balance of the index in the context of the shape of the industrial equity market at that particular time.

Usually replacement has been made inevitable by takeover or financial collapse. In more difficult cases, changes have been made because the nature of a company's business has substantially altered, or because the share price has become dominated by largely speculative considerations rather than factors typical of the equity market as a whole.

In recent years the shape of British industry has changed, becoming much more international in character, and with a much greater content of service companies rather than manufacturing.

The shift to services became recognised by the inclusion of stocks like Grand Metropolitan and Trusthouse Forte, and then in 1984 it was decided to recognise the enormous growth of the financial services sector and include a bank, National Westminster.

At this point it became logical to drop the word "industrial" from the Index's title, which became simply the Financial Times Ordinary Share Index.

The number of constituents, 30, was originally chosen as the best compromise between ease and speed of calculation on the one hand, and on the other the need to avoid too large an influence by freak movements in one or two individual share prices.

With the advantages of modern computer equipment and rapid share price collection a larger number might have been chosen. But it remains true that the advantages of increasing the number of constituents are few, provided the balance of the 30 stocks is carefully maintained.

The important point is that the Index is based upon the leading stocks which respond instantly to news or to internal market developments, and it therefore reacts quickly to the "mood" of equities.

Technically, the Index is unweighted, and geometric in construction. This means that each share counts equally, regarless of the market capitalisation of the particular company. And the calculation is performed by multiplying the 30 share prices together (with each price divided by its level at the chosen base date) and taking the thirtieth root.

This geometric mean is obtained in practice by adding together the logarithms of the 30 prices, dividing by 30, and taking the antilogarithm of the result.

It might seem simpler to use an arithmetic rather than a geometric mean, but in fact the geometric method has a practical advantage in that it is easier to make allowance for capital changes, and to replace constituents, without the need for rebasing.

Moreover, the geometric construction damps down the impact of large rises in individual constituents. When one share doubles and another halves, both starting from 100, the geometric mean is once again 100 but the arithmetic mean is 125.

A disadvantage of the geometric construction, however, is that it tends to bias the Index downwards over the longer term. This is partly a purely mathematical effect, but it also reflects the way that poorly performing constituents, such as Rolls-Royce or British Leyland, have passed on their negative influence to their replacements which have effectively been entered at the same low price level. This depressing effect is never fully offset by the high fliers among the constituents.

Because of this, the 30-Share Index should not be used as a long-term measure of market levels or as a yardstick for portfolio performance. In fact, because the Index has been rather easy to beat by portfolio managers it has too often been used as a basis of comparison by the less scrupulous unit trusts.

But this is quite wrong. The Index should only be used for the purpose for which it was precisely designed—as a sensitive indicator of the "mood" of the market, originally from day to day, in more recent years from hour to hour, and from now on, from minute to minute.

The desirability of another kind of index relevant to long-term portfolio measurement was, however, clear enough well before the 30-Share Index itself was formulated. But the computational problems of dealing with a broadly-based index reflecting hundreds of stocks were formidable in the pre-computer age.

Nevertheless, in 1929 the Institute of Actuaries in London and the Faculty of Actuaries in Edinburgh had jointly begun to produce an Actuaries Investment Index covering rather more than 200 share prices. Calculation by manual methods was very slow; the index was only produced monthly.

Eventually, however, the development of computers meant that the process could be greatly speeded up and the FT and the actuaries joined forces to launch a new and comprehensive series of daily indices in 1962.

This collaboration produced not only the FT-Actuaries All-Share Index, reflecting the performance of stocks representing the vast bulk of the whole London market's capitalisation, but it also led to a whole series of some 40 subsidiary indices.

The professional investor is provided with a broadly-based index which is a suitable yardstick by which to measure portfolio performance. This is because the FT-Actuaries indices are constructed on a weighted arithmetic basis, so that large capitalisation stocks count for more than smaller ones, and the All-Share Index as a whole mirrors the performance of an actual portfolio with the same constituents.

> The character of the Index was set by the decision to make it representative of British industry. Since then the balance between stocks from various sectors has been carefully maintained.

Furthermore, the sector indices enable the serious investor to track the relative movements of different sectors of the equity market and thus to arrive at a better understanding of how the market is developing.

But for all their appeal to professionals, the FT-Actuaries Indices have never supplanted the 30-Share Index, because they do not serve the same function.

One drawback, that they are only calculated once a day, could be overcome with the very latest technology. But it would still be true that the All-Share Index would largely depend upon prices of second-line stocks that are only lightly traded. As a consequence, the All-Share Index is notably more sluggish in its movements than the FT Ordinary Share Index and is therefore a less sensitive short-term indicators.

As recently as the beginning of 1984, still another index of the London equity market was launched—the FT-SE 100 Index. It was created particularly to meet the needs of the new markets in traded options and financial futures, and enjoyed the full benefit of the latest information technology.

This meant that, in the jargon, it could be a "real time" index, calculated every 60 seconds of the trading day to provide a literally up-to-the-minute indication of the market's progress.

The Financial Times-Stock Exchange 100 Index is based upon the most sophisticated price collecting system yet devised, with a team of price reporters constantly keying data into terminals arranged around the market floor.

Its creation provided an interesting example of how new requirements can dictate a new compromise in the design of an index.

From one point of view, a "real time" version of the FT 30-Share Index would have been ideal for traders in index options and futures because it would have been well-known and widely accepted as well as showing the volatility needed to encourage speculative business.

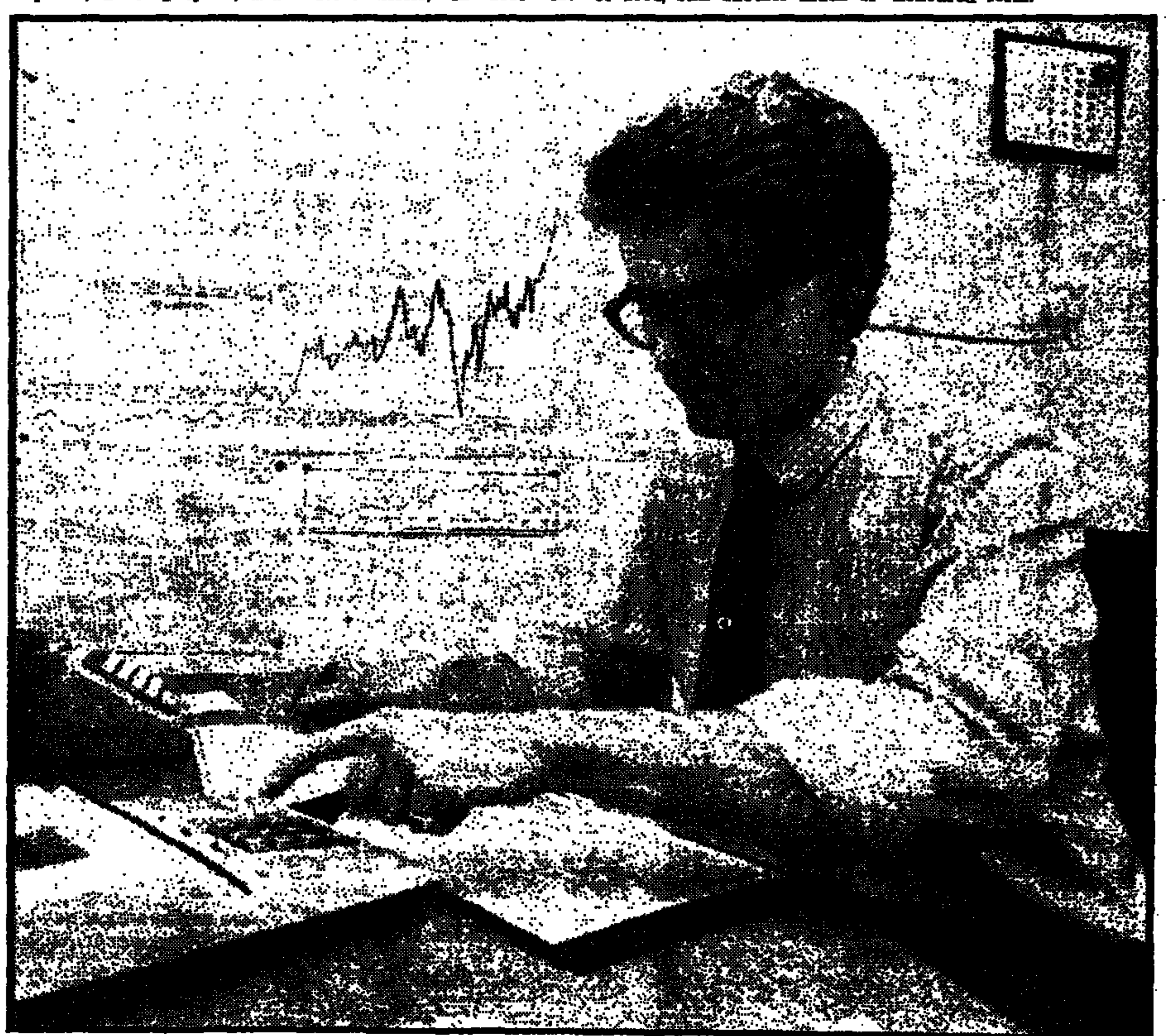
But options and futures are designed for portfolio hedgers as well as for speculators. Such hedgers require an index that will move in line with typical equity portfolios. That pointed to the All-Share—but as already explained it is a rather sluggish index, and the problems of continuously inputting more than 700 prices were daunting.

The outcome was a new index, calculated on the same lines as the All-Share but including only the 100 biggest capitalisation stocks.

In the U.S. the expansion of the markets in stock index options and futures has provided the spur for the launch of a number of new indices, both broadly and narrowly based, and it remains to be seen whether the same trend will become evident in the UK.

World indices, and at the other end of the scale USM indices, are two of the areas where interest has been expressed. They would carry their own particular problems of construction, whether of multiple time zones or volitility of constituents.

In the meantime the FT Ordinary Share Index carries on into its second half-century. It will continue to adapt to changes in the structure of the UK equity market, but its basic construction and character will not be altered. How long it will last will depend simply upon how long there continues to be a demand for it in its time-honoured form.



Traditional hourly calculation of the Ordinary Share Index. From today it will be calculated minute-by-minute in "real time"

Capturing the market's mood

CONTINUED FROM PAGE 1

like Rolls-Royce, Alfred Herbert and British Leyland brought the Index down more sharply than would have been the case in an arithmetic index. The delicate question in such cases (which, thank goodness, are quite rare) is about when to apply the boot.

More generally, several criteria are relevant when reviewing the constituents. The Index needs to include the most actively traded shares, but it also has to maintain its continuity as far as seems sensible.

A company will not be dropped from the list just because it has gone out of fashion, although it might be replaced if some major structural change has occurred to take it out of the front line of listed stocks.

Again, it is important that the Index should not become overweighted in the direction of one sector of the market. There was a stage, for instance, when in terms of trading interest and activity a higher proportion of electricals might have seemed to be justified. But as the recent shake-out has underlined, that could have distorted the whole picture.

The changing shape of British industry has been reflected in the make-up of the Index over the years. The proportion of companies in heavy manufacturing has shrunk, and there has been a greater concentration on service industries.

In 1977, BP became the first oil company to join the list, while last year saw the introduction of British Telecom and National Westminster Bank, the first financial sector member to be included.

This policy is consistent with the view that the job of the FT Ordinary Share Index is to provide an easily recognised snapshot of the mood of the stock market at any time.

For many years, critics have written-off the Index as being old fashioned and too narrowly based. But we intend to keep polishing up the 30-Share, so that it can best give the service it was always intended to provide—and let the market decide what indicators it wants to follow.

From today, users of the Index will enjoy the extra refinement of minute-by-minute caluculation in "real time." On to 2035?

Ordinary Share Index 3

The First 50 Years

In an article written by Sir Richard Clarke in July 1935 he outlined the reasons behind the construction of the 30 Share Index

THE FINANCIAL NEWS, THURSDAY, JULY 18, 1935

ORDINARY SHARES IN RECOVERY

HOW TO MEASURE PRICE MOVEMENTS

By Our Statistical Correspondent

Formula for success of a simple daily indicator

By Sir Richard Clarke

INDICES of share movements have never been used as a guide to investment policy and market forecasting in this country to the same extent as they have in the United States. There, around the Dow Jones index numbers, has been built a massive structure of statistical analysis, and some operators are guided almost exclusively by their interpretation of the daily figures.

The merits of the complex Dow theory may well be questioned, but even in this country, where exact knowledge is not sought with such religious zeal, it is definitely useful for the operator, both professional and amateur, to have a simple daily indicator of the way in which the market is moving. "The Financial News" was the first to supply such a daily index. At the beginning of 1930 the Ordinary share index first appeared, and since then, day after day, it has faithfully revealed the general movements of share prices. Five and a half years is a long time. In those years, great changes have taken place. Shares which, at the time of construction of the index, were in the forefront of market activity, have now fallen out: others have risen to prominence. The time has, therefore, come for a revision of the old index and for a re-selection of the shares which will constitute the fixed trust whose movements we shall watch from day to day.

Construction

There are difficulties, both theoretical and practical, in the construction of any index of share prices. First of all, we must decide what sort of movements we want to portray. Do we want to measure changes in the market capitalisation of industry, or do we want to measure the movements of the most active shares? The choice is important. If it is the first, the size of capital, rather than the market activity, must be the criterion. We should then have to include shares like Gas Light and Coke, and companies whose shares move hardly at all. Evidently the movements of such an index would be small. For a sensitive index, which must respond to the delicate changes of market feeling and temper, the active shares must be the basis of our choice, irrespective of the size of the companies which they represent. That is the disadvantage of many of the leading indices: they contain so much dead weight, and are less sensitive on that account. That is why the Actuaries' Index, perhaps the most comprehensive of all, lags far behind an essentially active index like the old "Financial News" one. The latter shows prices already back to the 1928 level: the former shows them still some 25 per cent below.

With that settled, what sort of shares will give the fairest representation of market movements? We take the shares of companies operating in England, engaged in manufacture and mining only, and as far as possible unaffected by isolated foreign currencies. Thus, Bank and Insurance, Property, Newspaper, Public Utility and Railway stocks and shares are excluded, together with such concerns as Tillings and Cable and Wireless. On the last count, a share like Unilever is disqualified. For obvious practical reasons, companies which make a habit of distributing capital bonuses are not included. Nor are companies whose management is unreliable, and whose prospects (within their own industrial group) are uncertain. Subject to these considerations, we then take a certain number of shares from each industrial group, bearing in mind the changing relative importance of the various groups. It is a British Industrial Ordinary share index in the truest sense of the term. The next question is a purely practical one. How many shares should be included? For a daily index it is hardly practicable to include more than thirty. In point of fact, the value of the index increases only very slowly after that figure has been reached.

The way is now clear for the most difficult task, the selection of the "fixed trust." The choice, even by groups, must be more or less arbitrary. For better or for worse, of the thirty shares we allot six to heavy industy, three to electrical manufacture and radio, three to motors and aviation, four to textiles, two to retail stores, six to food, drink and tobacco, three to building materials, and leave three for miscellaneous industries. It is difficult to argue a definite case for this or for any other distribution. The London and Cambridge Economic Service, in its index, weights the industries according to their outputs. For our purpose, that is obviously unsuitable. For us, the ideal basis would be the number of dealings in shares in each group; but this cannot be determined, and, moreover, would have to be averaged over a long period. Had the number of dealings in the past three months been taken, for example, iron and steel and electrical equipment would have been sorely overweighted. As it is, the metal-using industries have perhaps been over-represented. It is likely, however, that their market importance will grow in the next period of years, and, for that reason, the allowance may be a reasonable one. In any event, as we shall show later, the weighting is not of absolutely first-class importance in the construction of the index.

For the individual shares, many naturally select themselves. In the heavy industry group, we include *Dorman Long*, *United Steel*, *Guest*, *Keen and Nettlefolds*, *Vickers*, *Bolsover Colliery* and *Murex*. The first four are obvious choices, and incidentally represent coal and engineering as well as iron and steel. To find a good pure coal-mining share is difficult. Bolsover is preferred to Powell Duffryn, because the latter is allied indirectly with Guest, Keen. Murex is a typically modern metal-working concern. It is admittedly an unexpected choice, but there is no real market leader of this very important type. In electrical manufacture and radio, *Electric and Musical Industries*, *General Electric* and *Callenders Cable* all speak for themselves. So do *Rolls-Royce* and *Austin Motor* in the motor and aviation group. It might be argued that Rolls-Royce would serve both for motors and for aviation. In the years to come, however, an aircraft company will evidently have to be included, and that market is now sufficiently active to warrant representation. *Hawker* must be the choice. For textile shares, we must have *Courtaulds* and *J. and P. Coats*; cotton and wool, too, must have representatives, and *Fine Cotton Spinners* and *Patons and Baldwins* are as good as any. The two retail stores are inevitably *Harrods* and *Woolworth*; Marks and Spencer is automatically disqualified under the "no capital bonus" rule. Similarly, there is little scope for originality in the food, drink and tobacco section. *Bass* and *Watney* are the obvious breweries, with *Distillers*; *Imperial Tobacco* chooses itself; and *Tate and Lyle* and *International Tea* are the last two choices. The importance of building materials is likely to increase, and besides the obvious *London Brick* and *Associated Portland Cement*, we include *Pinchin Johnson*. And finally, there are three almost inevitable "miscellaneous' shares — *Imperial Chemicals Ordinary*, *Dunlop Rubber*, and *Turner and Newall*. The thirty includes a great many of the most active shares in the market. In the list there is no "dead wood." It may fairly be claimed that the list is adequately representative of market activity as a whole. Moreover, it is likely to be representative for some time to come.

Technique

That is the end of the real problem. The rest is a matter of technique. It does, however, present one interesting feature. Our new index is a geometric average instead of the usual arithmetic. This, although a little more complicated, has certain very definite advantages. The date July 1 1935, is fixed as base, and on any given day the price of each share is expressed as a percentage of its price on July 1. Thus, London Brick on July 1 was quoted at 86s 6d, and at 83s 6d a fortnight later. On July 15, therefore, its price percentage was 96.54. This is done for each share. For an arithmetic average, these price percentages are all added and divided by thirty, and this gives the index number for the day. For the *geometric average*, which we use, they are all multiplied together, and the thirtieth root of the result is taken (the calculation is not actually as long as it appears). This has two theoretical and practical advantages. First of all, it is much easier to replace derelict shares by active ones, and to make allowance for capital bonuses, and so on. That is the practical advantage.

Theory

And secondly, as a matter of theory, the weighting is less important in a geometric than in an arithmetic average. The disadvantage of the latter is that it does not treat increases and decreases alike. For example, if between July 1 and July 15 share "A" advances from 100s to 200s, while share "B" falls from 100s to 50s, the arithmetic average shows an increase of 25 per cent, although one has doubled and the other halved its value. This may lead to extraordinary results. Suppose, for example, we had taken four shares as our index in 1928: Leyland, Associated Portland Cement, Cable "B," and Fine Cotton Spinners. Based on 1928 as 100, their prices in 1935 were 267, 222, 15.4 and 14.0 respectively. The arithmetic average in 1935 was 129.6 and the index was therefore up by 29.6 per cent. Now see what happens when 1935 is taken as 100. The prices in 1928 are now 37.4, 45, 650 and 710 respectively, and the average is 360.6. According to this method of computation, therefore, there was a fall of 72.3 per cent, between 1928 and 1935. Which is right? Of course, in an index in which many of the prices have moved very little, the difference, as a result of the re-basing, will be slight. What is important, however, is the fact that as the date gets farther and farther from the original base, the difference grows. There is no question of it "averaging out in the long run" as some people think. That is the reason why a frequent revision is necessary. Such a pioneer as the "Investors' Chronicle" index, for example, which was based on 1923, would probably show a quite different *movement between 1923 and 1935* if the latter year were taken as base. In the arithmetic average, the base date is of paramount importance. The geometric average, however, is subject to no such inhibitions.

Whatever base date is taken, the result is the same. In the figures given above, the four-share geometric index would have fallen by 40.2 per cent between 1928 and 1935, whichever year was taken as base. This can be simply verified by multiplying the figures together and taking the fourth root. Both on theoretical and practical grounds the geometric index has its advantages.

The First 50 Years

Ordinary Share Index 4

Richard Lambert looks at how thc index has reflected the changing face of British industry.

The declining fortunes of UK manufacturing

Development of the North Sea oil fields was recognised in 1977 when BP joined the 30-Share

A ROLL call of the constituents of the 30-Share Index gives a vivid picture of the changing face of British industry over the past 50 years. Many of the original names are still familiar today, either as independent companies or subsidiaries of larger groups.

But with a few exceptions, their position in the international market place has been much weakened over the years.

On the surface, there were few signs, when the original Index was drawn up, of the problems that lay ahead for British manufacturing industry. The motor car business was booming, with output climbing to 417,000 units in 1935, more than 80 per cent above the low point four years earlier. The "Big Six" companies (Morris, Austin, Ford, Vauxhall, Rootes and Standard) showed over 40 different models at the 1935 Motor Show.

Rearmament was under way, and the Spring Budget had started the aircraft industry on an expansion track which was to take employment up from 27,000 to a wartime peak of 1.7m. British industry seemed to be bursting with new ideas: Perspex was developed in 1935, shortly after ICI's research chemists had discovered polythene: EMI was developing the technology which was to lead the following year to the world's first television transmissions.

Even the long established industries, which had taken such a battering in the slump, were showing signs of life. Steel output was shooting ahead: the showpiece of the industry was a brand new steelworks, built by Stewart and Lloyds right on top of the cheap ore at Corby, Northamptonshire. Even the coal industry, represented in the 30-Share by Bolsover Colliery, was enjoying a wave of mechanisation.

But for anyone who cared to look, there were worrying signs of long-term decline. *Although productivity was rising*, it was not doing so at anything like the rate of the international competition. Britain was still well ahead of most countries, apart from the U.S. and Sweden, in terms of gross domestic product per man year. But France, Germany, and —particularly—Japan were gaining ground rapidly.

Britain was also losing its position in international trade. Its share of world exports of manufactures had dropped from 32 per cent in 1913 to around 22 per cent in 1935. The country was more vulnerable to the process of import substitution than its competitors, because a high proportion of its exports still went to semi-industrialised countries. Increasingly, too, the U.S. was encroaching on its position as an international commercial and financial centre.

Moreover, business confidence had been badly damaged by the events of the previous 15 years. The best that businessmen now hoped for was a return to the 1929 peak, and the idea of long-term growth as a normal state of affairs had been largely forgotten.

As a result, industry was to be taken by surprise as demand jumped ahead between 1935 and 1937. In the machine tool industry, manufacturers soon started quoting delivery dates three years ahead.

The textile industry, strongly represented in the original 30-Share Index, was already well into its long-term decline. Faced with growing competition from Japan and the loss of their most important market, India, the Lancashire companies were in full retreat.

In an unsuccessful bid to hold the line, the Bank of England and the clearing banks backed a major new combine to rationalise the industry. Its name was Lancashire Cotton, which in 1938 became the first newcomer to the list of 30 shares.

Other industries were also being shored up by outside intervention. The Labour Government's Coal Mines Act of 1930 introduced a plan for keeping the price of coal artificially high in return for a programme of closures. Not surprisingly, high prices had precisely the opposite effect, by allowing most of the inefficient *mines to remain open.*

The steel industry was sheltering behind import tariffs of 33 per cent. These were also said to be temporary, and conditional on the industry modernising itself.

More generally, the 1936 Budget granted a tax concession to voluntary schemes designed to restrict capacity. And cartels had become a very respectable form of business organisation. The major electrical companies —GEC, AEI and English Electric— were organising parts of their business on these lines: ICI made a series of agreements with DuPont and IG Farben to carve up the world's chemical markets.

All these measures meant that competitive selling was not the first priority for many British manufacturers, and this weakness was to be reinforced in the postwar years.

These years also saw an unprecedented—and unsustainable—improvement in the balance of trade, in a period when the only problem seemed to be about how to meet demand. Car-makers had long waiting lists, shipbuilders *worked on a cost plus basis and* the steel industry built a vast new works at Port Talbot to cope with the insatiable hunger for sheet steel.

Explanations for this boom include the destruction of capacity among industrial competitors on the continent and Japan—which, thanks in part to Marshal Aid, was not matched by a corresponding reduction in demand. And Britain's deteriorating competitive posi*tion against the U.S. was masked* by the devaluation of 1949, which was mainly aimed at the dollar.

The consequences of this somewhat unreal period were to be painful. In the words of one recent history: "In the 1960's and 1970's, every major British industry, with the exception of retailing which is by definition committed to selling, could point to a failure of the sales side."

The shipbuilders did not see the changing demand for new types of ships. The car firms, with the exception of Ford, did little market research into what sort of cars customers really wanted, and were still run largely by engineers.

The aircraft industry made planes that were among the most advanced in the world, but could not sell them to the international airlines in sufficient numbers. The penalty had to be paid, as one after another Britain's major industries were attacked by aggressive marketing from abroad."*

The postwar decades were when restrictive practices and weak management became endemic in manufacturing industry. It was also a period for ham-fisted Government intervention. Examples include the way the car industry was pushed North, to Speke and Halewood on Merseyside and to Linwood in Scotland, and the manner in which the steel industry was forced to build not one new strip mill but two —at Ravenscraig in Scotland and Llanwern in South Wales.

By the 1960's, all these patterns were having a real impact on the make up of the 30-Share Index. Courtaulds had swallowed up most of its rivals in its bid for vertical integration: ICI had tried to go a step further with an unsuccessful bid for Courtaulds itself. Nationalisation had made its mark: UK coal mines had long since disappeared from the Stock Exchange, and United Steel had achieved the unique record of being twice removed from the Index, as Labour finally brought the industry under Government control.

The British-owned motor industry was being merged together into British Leyland, and was sliding towards a state rescue. Another great name—Rolls-Royce—was heading in the same direction, while a harsher fate awaited a third. The Coventry factories of Alfred Herbert, once the greatest power in the world's machine tool industry, are today shuttered and crumbling.

Meanwhile, the balance of the economy was shifting. In 1950, the manufacturing and service sectors both employed 42 per cent of the workforce. By 1980, only 26 per cent were in manufacturing, while 62 per cent were employed in service jobs like retailing or finance.

This trend is clearly evident in the Index. Two major companies have developed in the leisure/service sector since the war, by a combination of takeovers and internal growth—Grand Metropolitan and Trust*house Forte, both of which* are now in the 30-Share.

Other big successes are to be found in the retailing sector, an area where dynamic entrepreneurs have been able to capitalise on rising living standards, fierce competition, weak trade unions, and changing shopping habits.

The rapid advance of the multiples in the 1930's; the arrival of self service in the 1950's; the era of discounting in the 1960's; all these changes have been reflected in the Index, where names like Woolworth and Harrods have made way for the likes of Marks and Spencer and Associated Dairies.

BTR and Hanson Trust are two quite different newcomers. Both have bought their way to prominence by a programme of acquisitions and a rigorous concentration on the bottom line, which has succeeded in turning round a whole series of struggling industrial companies. As it happens, both have acquired former Index constituents—London Brick for Hanson, and Dunlop for BTR.

The development of the North Sea was recognised in 1977, when BP joined the 30-Share. And last year, there were two changes which marked another important development for the future.

National Westminster became the first financial company in the 30-Share Index, a move which was perhaps overdue given the very heavy volume of stock market trading in this sector. There will be more financials to come in the future, provided the upheaval now under way in the City of London produces the hoped-for gains in efficiency and competitive strength.

Finally, the Government's privatisation programme introduced a giant company on to the floor of the Stock Exchange. British Telecom joined the Index as soon as it was listed, and is now easily the most widely held share in the country. If the present Government has its way, there will be other newcomers from this source. A privatised British Gas would seem more or less assured of a place in the FT Ordinary Share Index.

* "All our working lives." Peter Pagnamenta and Richard Overy. BBC. 1984.

Other main sources: "The rise of the corporate economy," by Leslie Hannah. Second Edition. Methuen. 1983. "British Economic Growth," by R. C. O. Matthews, C. H. Feinstein and J. C. Odling-Smee. Clarendon Press, Oxford, 1982.

Changes in the Index line-up

ORIGINAL CONSTITUENTS

Associated Portland Cement
Austin Motor
Bass
Bolsover Colliery
Callenders Cables & Const.
Coats (J. & P.)
Courtaulds
Distillers
Dorman Long
Dunlop Rubber
Electrical & Musical Inds.
Fine Spinners and Doublers
General Electric
Guest Keen & Nettlefolds
Harrods
Hawker Siddeley
Imperial Chemical Industries
Imperial Tobacco
International Tea Co's Stores
London Brick
Murex
Patons & Baldwins
Pinchin Johnson & Associates
Rolls-Royce
Tate & Lyle
Turner & Newall
United Steel
Vickers
Watney Combe & Reid
Woolworth (F. W.)

MAJOR CHANGES

1938 September 8
Lancashire Cotton replaced Fine Spinners after FS capital reduction and reorganisation.

1947 January 1
William Cory, Leyland Motors, Peninsular & Oriental Steam Navigation, Spillers and Swan Hunter Wigham Richardson replaced Austin Motors, Bass, Bolsover Colliery, Callenders, Dorman Long and International Tea to conform with market developments since original list was compiled. Index name changed from "The Ordinary Index."

1951 February 15
Tube Investments replaced United Steel on nationalisation of US.

1952 May 1
Morris Motors name changed to British Motor Corporation on merger with Austin Motors.

1959 September 2
Bowater Paper and Alfred Herbert replaced *J. and P. Coats and William* Cory to give representation to paper and machine tool industries. House of Fraser took over and replaced Harrods.

1960 January 12
Denationalised United Steel replaced Pinchin & Johnson on latter's takeover by Courtaulds.

1964 August 5
Glaxo Group and United Drapery Stores replaced Patons & Baldwins and Lancashire Cotton on the latter two being taken over by Courtaulds.

1966 May 5
Plessey replaced Swan Hunter, which had shown a poor share performance.
June 17
British Oxygen replaced United Steel which was renationalised.

1967 March 28
Beecham replaced Murex because of the latter's poor share performance.

1968 January 19
Boots Pure Drug replaced Leyland Motors pending LM merger with British Motor.
October 17
Marks & Spencer replaced House of Fraser on SUIT's gaining a holding of *over 30 per cent in the Harrods store* group.
May 15
British Leyland Motor Corporation replaced British Motor.

1970 March 23
Allied Suppliers replaced Rolls-Royce which had shown a poor share performance.

1971 September 13
John Brown and Grand Metropolitan Hotels replaced Alfred Herbert and F. W. Woolworth because of poor share performances.

1972 February 22
Cavenham took over and replaced Allied Suppliers.
June 20
Allied Breweries replaced Watney Mann, which was taken over by Grand Metropolitan Hotels.

1975 April 24
Lucas Industries replaced British Leyland *Motors pending Government rescue plan* for BLM.

1977 March 9
British Petroleum replaced Cavenham, control of which left the UK.

1978 April 19
Cadbury Schweppes replaced Spillers which withdrew from the bread industry.

1979 December 6
Thorn Electrical Industries took over and replaced EMI.

1982 July 29
BICC and BTR replaced John Brown and Turner and Newall.

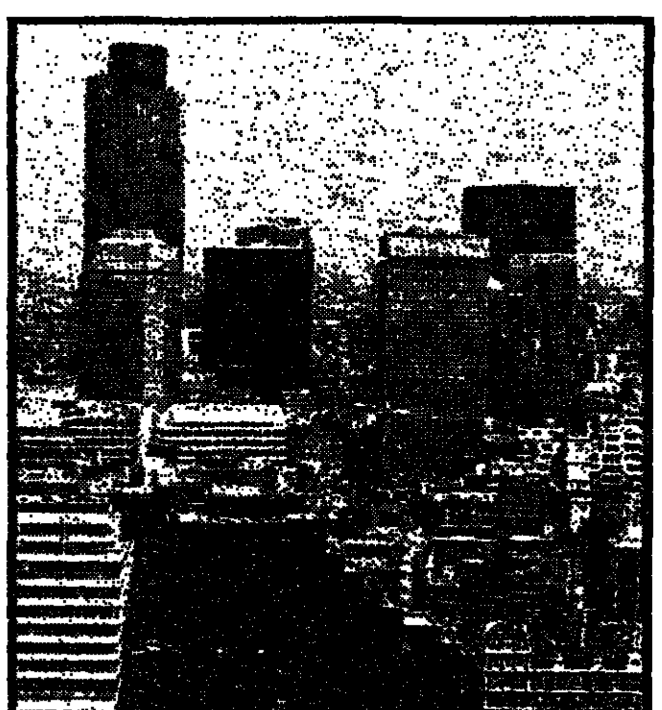
1983 February 10
Associated Dairies Group replaced UDS.
November 21
Trusthouse Forte replaced Dunlop which had sold most of its tyre interests to Sumitomo Industries of Japan.

1984 February 29
Hanson Trust gained control of and replaced London Brick.
December 4
British Telecom and National Westminster Bank replaced Bowater Industries and TI Group. "Industrial" dropped from the name of the index.

PRESENT CONSTITUENTS

Allied-Lyons
Associated Dairies
BICC
BOC Group
BTR
Beecham Group
* Blue Circle Industries
Boots
British Petroleum
British Telecom
Cadbury Schweppes
* Courtaulds
* Distillers
* GEC
Glaxo Holdings
Grand Metropolitan
* Guest Keen & Nettlefolds
Hanson Trust
* Hawker Siddeley
* Imperial Chemical Industries
* Imperial Group
Lucas Industries
Marks & Spencer
National Westminster Bank
P & O Deferred
Plessey
* Tate & Lyle
Thorn EMI
Trusthouse Forte
* Vickers

* Original constituent



The NatWest Tower dominates the City skyline. Last year National Westminster became the first financial company to be included in the Index

Ordinary Share Index 5

The First 50 Years

Sir Richard Clarke: Deviser of the Index

Heir to Keynes mantle

By Andrew Arends

SIR RICHARD "Otto" Clarke, who devised the index of 30 Ordinary Shares in 1935, celebrated today as the Financial Times index, was a remarkable character, whose career and legacy extended far beyond journalism.

Keynes described him as one of the two economists worthy of inheriting his mantle (the other was E. F. Schumacher). Otto, said Keynes, "Could do anything with figures."

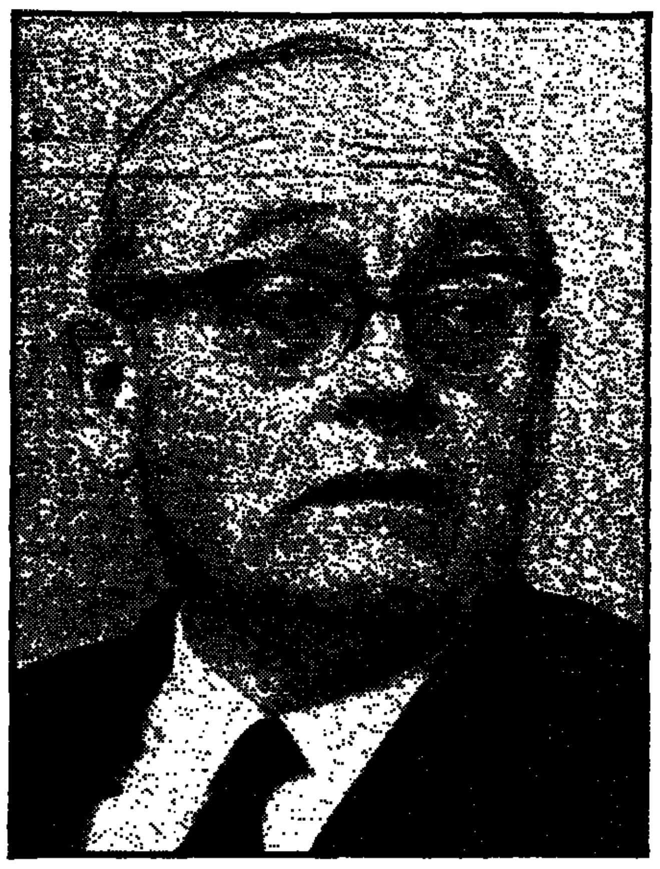
He was a journalist for barely six years, from 1933 to 1939 on the Financial News. When war broke out Otto joined the Civil Service as one of the highly select band of "irregulars" who transformed the nature of the British administrative machine and adapted it to total war.

After 1945 he stayed on at The Treasury, rising to become its second Permanent Secretary. When he died in 1975 at the age of 64, he had gone on to become Permanent Secretary at the Ministry of Aviation and finally at the new Ministry of Technology.

During his six years at the FN, Otto Clarke worked as a leader writer and as a contributor to the Lex Column. It was as a journalist that he honed the two great skills—an ability to write quickly and lucidly, and his keen analytical and statistical mind — that served him and the nation so well in the Civil Service.

Sir Gordon Newton, the former FT Editor remembered Otto as a lively and extroverted journalist. He was also rather radical in those days and published a Fabian pamphlet — under the pseudonym "Ingot"— advocating the nationalisation of the Iron and Steel industry.

But it was the Ordinary share index, set up by Otto and the then editor Maurice Green 50 years ago that is his legacy to the paper and to the City. He was 24 years old at the time.



Sir Richard Clarke: A Rolls-Royce intellect but not in the smoothie Whitehall mould

Both during and after the war Otto applied his formidable intellect to the wide range of economic problems facing post-1945 Britain. As Chairman of the Programme Committee, Otto wrestled with the enormous task of matching Britain's paltry foreign exchange earnings with the country's almost limitless demand for dollar imports.

During this period he also played crucial roles in negotiating the financial arrangements for Nato, the OEEC and Efta, as well as being one of the three authors of the ill-fated "Robot" scheme to float sterling in 1952.

In his recent book about the early postwar period, Sir Alec Cairncross said: "In the Treasury, only Otto had any real flair for general economic policy."

But Otto's main contribution to British Economic Policy was his key role in the early 1960s in the development of the Public Expenditure Survey Committee (PESC) and the system of controlling public expenditure that went with it.

PESC, which has survived in a modified form, provided the first comprehensive picture of the public sector and laid down the main lines on which it should be managed and analysed.

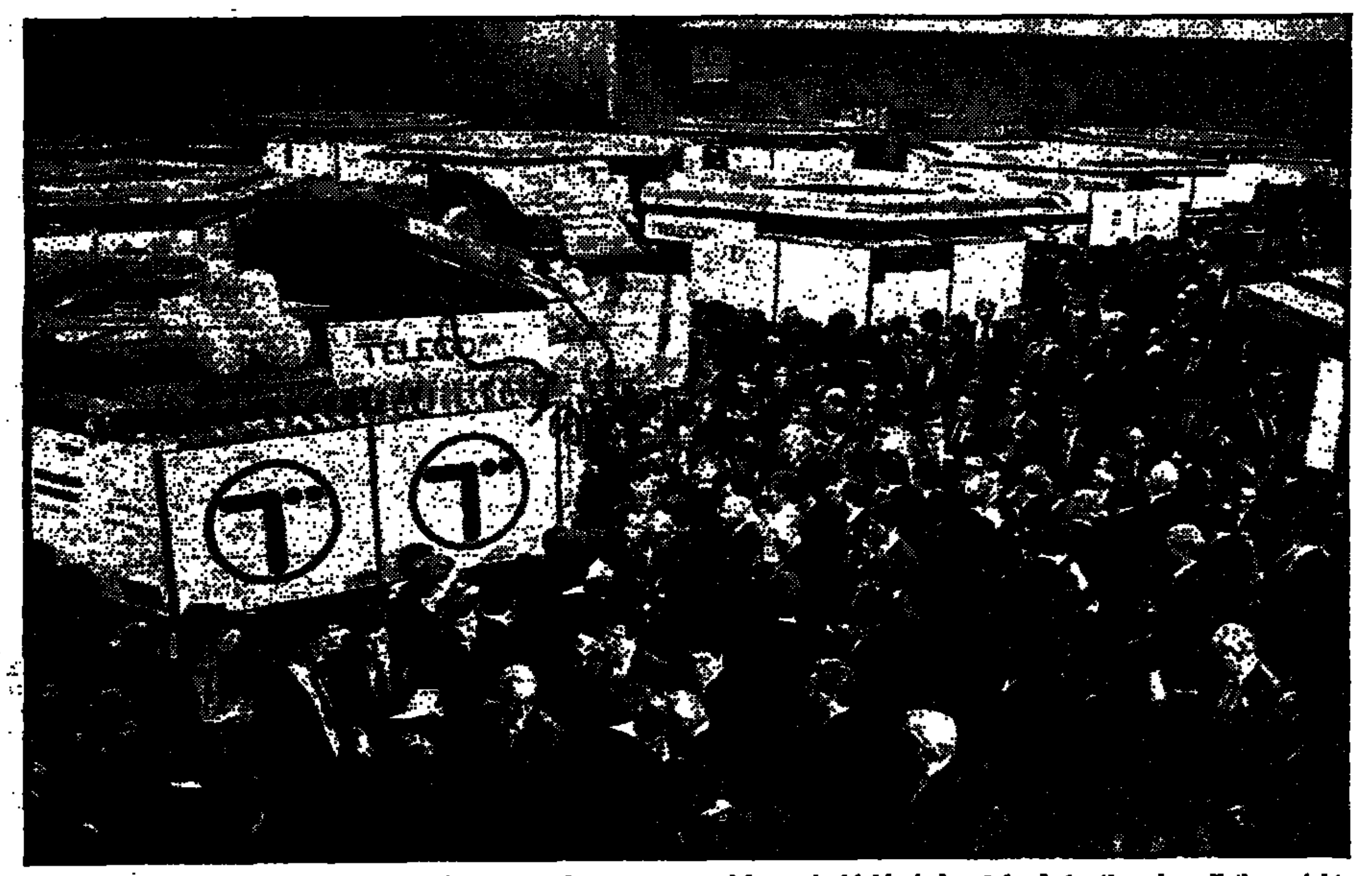
Otto Clarke was a commanding and controversial character. Peter Jay who served under him at The Treasury described him as the "Greatest of all Civil Servants." Although he had a Rolls-Royce intellect he was not in that sort of smoothie Whitehall mould.

"With Otto you could always hear more than just the clock," said Lord Croham, who as Sir Douglas Allen worked with Otto at The Treasury.

Sir Peter Middleton, currently Permanent Secretary at the Treasury remembered vividly Otto's forthright style. As a young Civil Servant, Sir Peter said, he watched Otto chairing various committees. Sometimes Civil Servants would explain, he said, that such and such a solution would not wash with ministers. Otto would explode. "What do you mean ministers won't wear it. They'll have to wear it." He hated weak compromises, said Sir Peter.

In his memorial tribute to Otto, Lord Croham concurred. "He was ruthless in the pursuit of effective solutions, ruthless in the demolition of soft advice, soft decisions and soft Ministers," he said.

But Otto also had a lighter side. In his time as a leader writer on the FN he was forced to compose a piece on the death of George the Fifth. Somehow, the piece had to be linked to finance. In the end, with barely five minutes before the deadline Otto wrote a memorable leader which began: "All investors will share in the grief of the nation at the death of the King."



The sale of British Telecom on the London market last year created havoc in highly indexed funds by throwing all the weightings out. After a massive subscription the shares had an annoying habit of going up faster than the market as the funds tried to make up their index-weightings. However with the Government retaining nearly half the equity, this became impossible to achieve

The use of indices in measuring investment performance

Yardstick by which to gauge success

By Jeremy Stone

IF INDICES are what their users make of them, then they have come a long way in the last 50 years. For although the leading idea of the FT's original index has always been to give investors a sensitive indication of what was happening in the market — allowing them to feel its pulse — much of the later development of share indices has been inspired by the need to analyse the performance of the investors themselves.

Most recently, indices have been the basis of attempts to hedge market-risk, the springboard for markets in equity-index futures and options. Without an index there is no commonly acceptable measure of investment success, or of market risk; indices provide a reliable way of making the market itself into a yardstick.

Using a suitable index — such as the FT-A All Share or the FT-SE 100 — to measure changing values, it is easy to see whether a given portfolio has done better or worse than the whole market.

Unless a fund is explicitly specialised in a way that makes the comparison invalid, for example by putting its cash exclusively into small companies, or into high-yield stocks, it is reasonable to ask of a portfolio manager that the fund should generally move in line with the overall market index.

When the standard of adequate management is to do no worse than the average for the market, success can of course be achieved simply by running a portfolio which matches the composition of the index — the same shares in the same relative proportions, or weightings.

Far from being high-rollers in the risk-capital Casino, modern portfolio managers are apt to shun risk, at least where their own reputation is concerned.

Keynes observed that it was professionally better to be wrong in company with the herd than to be right but conspicuously out of step; that was before the application of weighted indices to the equity market.

Since indices have made it easier to track the herd, this truth has gained an extra dimension: taking the idea to its logical extreme, some modern market theorists have concluded that in providing a yardstick of managers' performance, the index can absolve them from making any independent judgment of the market or its constituent stocks.

In the U.S., the practice of indexation — matching the portfolio to a suitable index — has indeed become part of standard management technique; portfolios are explicitly structured by reference to the make-up of a market index.

Where managers run the risk of being sued for underperforming, it is only common prudence to reduce this risk, and the obvious method is to reduce the "tracking error" of the portfolio by casting most of it in the image of the relevant index.

In a specialised fund, where managers have been charged with investing in a particular type of security, this has led to abuses; for any fund it is naturally possible to devise an index which it tracks with no error at all — the identikit.

Where a fund is not avowedly set up to mirror an index, it is often possible to detect the same principle of management at work if the fund tracks the market with suspicious accuracy. Known as "closet indexation," this apparently easy technique of fund management has its critics, who cannot see why management fees should be handed over for doing something so mechanical and passive.

Although the indexation technique is gaining ground in the UK (to the point where it is normal to talk of having a passive core in a managed fund) it is probably still true that London fund managers are more afraid of being kicked for inaction than of being sued for underperformance.

There are practical objections to slavish indexation of portfolios: although the cost of management is rarely brought into performance measurement, it is evident that to run a fund composed of the full 739 shares would risk piling on more administrative costs than the management fee can cover.

And in the last resort, mimicry of an index is apt to prove expensive in a bear market; even trustees who do not complain at the mere missing of opportunity when the market is rising are likely to beef when part of their capital is actually lost.

Even in more favourable times, just managing to keep the fund in line with the appropriate index can be quite hard work. In the London market last year, the British Telecom sale created havoc in highly indexed funds by throwing all the weightings out: BT was not only a very significant addition to the total equity market, but after massive subscription it had the annoying habit of going up faster than the market as funds tried to make up their index-weighting, and by retaining nearly half the equity, the Government made it impossible for them to do so.

Having structured a portfolio so that its behaviour closely resembles that of the whole market—essentially having only the systematic risk—the risk-averse fund manager will be a natural user of stock-index futures or options; selling instruments derived from the same index makes it possible to protect a fund against the risk of a generalised decline in the market without actually selling the underlying shares.

Where once it was necessary to test the air, gulp, and positively decide that it was time to be in cash, it is now possible to hedge one's bets—and the investment—by selling just the futures. Without the fulcrum provided by market indices, this management of overall exposure to the market would be impossible.

Perhaps that is one point at which the latter-day use of indices regains contact with the pioneers. For the great inspiration was to see that markets move, not just individual shares. And it is often possible to believe that market is going to rise or fall, without having a view on ICI or the NatWest Bank. At that point, people buy or sell "the Index."

The First 50 Years

Ordinary Share Index 6

Barry Riley picks out four important periods in the history of the 30-Share.

Major turning points over the last half century

January 4, 1937
Index at 124.8

THE Financial News (later FT) Industrial Ordinary Share Index was launched at a time of economic revival in the mid-thirties. Although unemployment remained disturbingly high, the economy as a whole was recovering. New growth sectors like motors and electricals were coming along to offset the depressed heavy industries. Housebuilding was buoyant.

From its low of June 1932 the equity market had already shown a sustained recovery when the new Index was launched in July 1935. And the Index enjoyed a good run for its first 18 months or so, rising some 25 per cent before it described a double top formation in late 1936 and at the beginning of 1937.

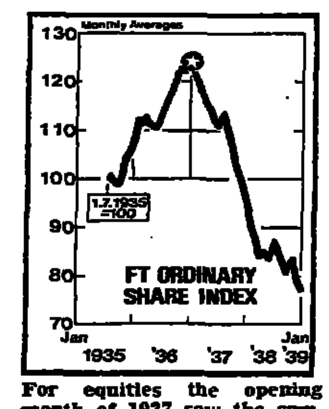
The link with movements in the bond market should be stressed. Consols had traded between 50 and 60 for almost the whole of the twenties, but then spurted during the depression of the economy, peaking at just over 90 early in 1935, indicating a yield of less than 3 per cent.

It is typical for equity price movements to follow bond market trends with a time lag, and so it was in the thirties. As the economic slump lessened and and war scares grew, gilt-edged went into a decline which paradoxically ended at the outbreak of hostilities in 1939.

Gilts were still, despite the setback in the late 30s, in a very long-term uptrend which lasted until Consols hit par in 1946, in the cheap money days of Chancellor Hugh Dalton.

For equities, January 1937 therefore represented the summit of post-slump recovery hopes. Indices like the Moodys, which spanned the whole interwar period, suggested that share prices had more than regained what they lost in the *disastrous 1929-32* bear market.

But the market had become overheated. The Index slipped quickly back to below 100 by October 1937, and the underlying economic cycle also peaked in that year. Across the Atlantic, too, Wall Street went



For equities the opening month of 1937 saw the summit of post-slump recovery hopes

into decline.

The threat of war was casting its long shadow over the financial markets. Hitler had been in power in Germany since 1933, and Germany's increasing aggression led to the Czech crisis and the Munich agree*ment in 1938.*

Although the rearmament programme brought a boost for some sectors of the economy, uncertainty was the dominant factor during the remainder of the 1930s. By the outbreak of war in September 1939 the Index was down to 77, and although equities briefly managed to follow the rally in Consols in late 1939 and early 1940 there followed a sharp sell-off.

*With the German army push*ing the British off the Continent at Dunkirk, and the Luftwaffe menacing the country, the index hit an all-time low of 49.4 on June 26 1940, a level that has been commemorated in *daily editions of the FT (or* the Financial News) ever since.

Apart from the threat of occupation, the war also brought comprehensive economic controls which did the equity market no good. Prices were restricted, and dividends fell from 1938 to 1942.

So the Index's deceptively good start in 1935-37 proved to be a trap. It is true that the construction of the Index underplays long-term performance, and other indices showed a slightly better trend over the wartime and immediate postwar period. Nevertheless it was to be nearly 20 years before equities achieved a permanent and decisive advance over the 1937 New Year peak.

June 24, 1952
Index at 103.1

JUNE 1952 could be judged one of the three great long-term buying opportunities in the 50-year history of the FT Index, but unlike the other two (June 1940 and January 1975) it lacked any great sense of drama.

Rerospectively, however, in equity market terms the year 1952 marked a watershed. The rationing and controls of the wartime period largely persisted into the years of the postwar Labour Government. Then the Conservatives liberalised the economy and took advantage of the rapid expansion of world trade.

For nine years up to 1952 the 30-Share Index had been bumping about just above 100 (in fact, it had dipped to 99.8 *at one point in 1949, the year* in which Sir Stafford Cripps as Chancellor devalued sterling from \$4.03 to \$2.80).

In the next eight years, however, the Index took two great quantum leaps forward, bounding to 200 and then, after a setback, on to 300 before the turn of the decade.

None of this could clearly be foreseen in the early months of the new Tory Government, which assumed power late in 1951. The economic background was distinctly unhelpful, with the ending of the Korean War boom leading to a collapse in commodity prices on the international markets. In the UK many companies found themselves overstocked, and the correction of this often proved to be a painful process.

And in the capital markets the transition from the cheap money period just after the war, when long-term bond rates fell under 3 per cent, was still causing problems.

At the beginning of 1952 long gilt-edged yields were around 4.2 per cent (against a yield of 5.4 per cent on the FT Index) but the Budget brought shocks from the Chancellor, Mr Rab Butler.

The Conservatives were determined to bring back monetary policy as a means of controlling the economy, and Bank Rate was jacked up from 2½ to 4 per cent, having already been raised from 2 per cent the previous autumn. That left gilts struggling to establish higher yield basis—of more like 4.8 per cent by mid-year—and equities were also forced to make a sharp yield adjustment.

Moreover, the equity market was disturbed by the imposition in the Budget of an Excess Profits Levy on profits earned in excess of a base formed by the 1947-49 three-year average.

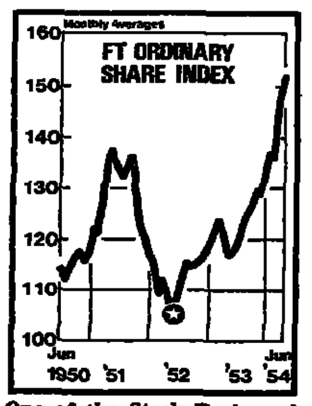
There was no help from sentiment on Wall Street, where prices were depressed by fears that the U.S. was heading into a recession—and by threats of a steel strike.

So in percentage terms the bear market of early 1952 was rather nasty—the 1951 high had been above 140 — but the reversal was mercifully short. *By mid-summer the bearish* forces were just about played out.

The key once again was a stabilisation of the gilt-edged market, where long yields eased back again to about 4.4 per cent by the end of the year.

Such changes in yields might seem small beer by the standards of the seventies and eighties, but they represented substantial changes in capital values. Equity prices followed gilts up and the Index ended the year at around 115.

Although 1953 subsequently proved to be a rather unexciting year the market was building a base for a substantial advance *in 1954. The 30-share Index* would never descend near 100 again, though its performance in real terms might be another matter.



One of the Stock Exchange's great buying opportunities as the bear market of early 1952 bottomed out

September 19, 1968
Index at 521.9

ARGUABLY THE cult of the equity during the fifties and sixties reached its zenith in 1968, at the September high of that year which was not quite matched when the market formed a double top in January 1969.

The Index did, of course, go a little higher in 1972 but inflation was accelerating at this period and in real terms 1968 stood out.

Such long-term comparisons are not realiably made in terms of the 30-Share Index itself, but *the trends in this period are* confirmed by the FT-Actuaries All-Share Index, compilation of which began in 1962.

In successive bull markets culminating in 1955, 1959, 1964 and 1968 steady buying by financial institu*tions served to* transform the ownership pattern of equities greatly reducing the role of private investors. In the process, investment ratings were turned upside down.

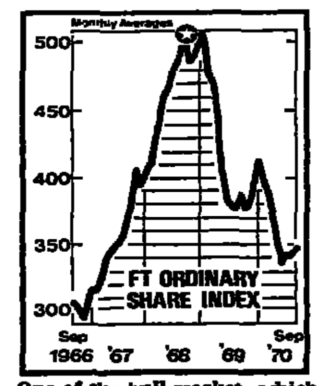
For decades the yield gap between equities and gilt-edged had seemed inevitable in view of the higher risk involved in Ordinary shares. But postwar inflation, though relatively low, led to a search for inflation hedges; and steady growth in the economy reduced the perceived risk in equities.

Mr George Ross Goobey of the Imperial Tobacco pension fund was the fund manager most associated with the cult of the equity, but his pioneering example was eventually followed by a great many pension funds and insurance companies who had previously stuck almost exclusively to the bond markets.

So in 1959 the yield gap closed and was replaced by the "reverse yield gap" which has come to seem just as much a fact of life as the yield gap ever was.

The strength of equities fed on itself. By September 1968 the Index stocks offered a dividend yield of just 3.6 per cent (against a long-run average of about two points higher) and the p/e ratio had climbed to 22.7.

A post-devaluation boom was the main short-term explanation for the peak. In November 1967



One of the bull markets which transformed the pattern of equity ownership in Britain

the Labour Government had given up a long battle to preserve the exchange rate and had devalued from \$2.80 to \$2.40. The equity market was spared high interest rates, which might otherwise have been necessary to defend the currency, and it was fuelled by the surge in company profits which followed the devaluation.

Devaluation was, of course, inflationary—but by this time the received wisdom was that inflation was good for equities.

One factor which eventually undermined the boom was the upsurge in speculative activity. This was the era of Mr Jim Slater and many like him who realised that the acceptability of highly rated paper (p/es of *30 and 40 were common) made* possible the takeover of asset-rich companies which had failed to join in the share price race.

But already by 1968 and 1969 the market was finding it hard to digest the flood of paper of dubious quality which was being pumped out by the new conglomerates.

In the end, however, traditional economic factors choked the boom off. By early 1969 the post-devaluation boost to the economy was leading to a surge in the money supply. Bank Rate went up from 7 to 8 per cent in February, and Chancellor Roy Jenkins subsequently delivered a tough Budget.

The equity market could not sustain what was an extraordinarily high level in real terms. There followed a particularly vicious fall, with the FT Index losing more than 150 points in five months between mid-January and mid-June 1969.

January 6, 1974
Index at 146.0

ON ANY chart of the UK equity market the crash of 1974 stands out as a tremendous abberation. It reflected a financial collapse rather than an industrial or economic one, and the bounce back was even swifter than the decline had been. Many of the scars, however, have yet to heal, and they affect the behaviour of many financial institutions even today.

In a nutshell, 1974 reintroduced the concept of risk, which two decades of rising share prices had largely pushed out of the frames of reference of many investors.

London's bear market was by no means unique. Other equity markets around the world were skidding that year. But London *suffered much worse* than most. At the start of 1974 the FT Ordinary Share Index stood at 339.3, already a long way below the 1972 high of 543.6. In the first wek of January 1975, however, the Index briefly dipped under 150.

There are several ways of explaining thet collapse. One is that at a time of a vicious liquidity squeeze, equities were among the few categories of assets which could be readily *sold for cash.* Accordingly, the whole market went on to a forced sale pricing basis.

Burmah Oil was a classic victim. In January 1975 it was forced to sell for 230p a share its huge block of BP, which in January 1974, at a price of 590p a share, had seemed to lend it impregnable financial strength.

Another explanation is that the market was discounting an alarming collapse in real profits. Although nominal company profits seemed to be good in 1974, inflation was accelerating rapidly (towards a year-on-year peak of 27 per cent at one stage in early 1975).

Adjusting for stock appreciation and taxation, retained profits disappeared in real terms, leaving companies rapidly running out of cash.

Then there is the institutional explanation. After all, many funds were piling up cash rather than putting it into the long-term markets. They earned double-digit nominal returns at a time when investors still locked into equities and gilt-edged were showing shocking capital losses. The market's spiral therefore became self-perpetuating.

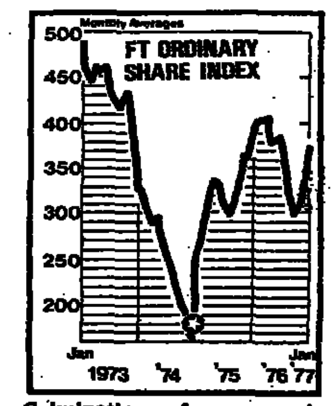
These are all different aspects of the same crisis. And the whole affair was made much worse by the shakeout after the credit spree of the early 1970s, when financial asset levels were boosted by a surgaein lending by secondary banks, many of which went to the wall after a crisis of confidence late in 1973.

The buying opportunity finally came in January 1975, after a climactic jolt to confidence by the news of the Burmah Oil crash.

At the very bottom the yield *on the Index was 13.4 per cent* and the p/e ratio (on the dubious basis of historical cost profits) was just 3.8. But then, only shortly before that, the yield on long-term gilt-edged had reached 17 per cent.

Concessions by the Chancellor, Mr Denis Healey, on price controls and the taxation of stock appreciation triggered the recovery, with a time lage of a few weeks. When the turnround came those fund managers who had stuffed their *portfolios* with cash and gold bullion during 1974 found themselves stranded.

On a single day, January 24, the FT Index rose by more than *10 per cent. By the end* of January it was above 250, by the end of February it had topped 300. The market was back on course.



Culmination of a year in which the concept of risk was reintroduced to the London market